# BOARD MEETING OF NOVEMBER 10, 2010

## C. Kent Conine, Chair

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

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tom Gann, Member
Lowell Keig, Member
Juan Muñoz, Member

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# BOARD MEETING

A G E N D A

**9:00 a.m.**
**November 10, 2010**
**Capitol Extension, Room E1.028**
**Austin, TX**

CALL TO ORDER, ROLL CALL — Kent Conine, Chairman
CERTIFICATION OF QUORUM

PUBLIC COMMENT
The Board 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 Board.

CONSENT AGENDA
Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Texas Government Code, Texas Open Meetings Act.

Item 1: Approval of the following items presented in the Board materials:

*Executive* — Brooke Boston, Board Secretary

a) Presentation, Discussion, and Possible Action regarding Board Minute Summary for September 9, 2010 and ratification of Items 6(b) (Harris County Contracts) and 6(d) (Program Guidelines) which were not reflected in the September 9, 2010, transcript as having been specifically approved

*Audit* — Sandy Donoho, Dir. Internal Audit

b) Report of the Audit Committee Meeting

c) Presentation, Discussion, and Possible Action on the proposed 2011 Internal Audit Plan

*Legal* — Tim Irvine, General Counsel

d) Presentation, Discussion, and Possible Action on the Agreed Final Order with respect to Arbor Oaks Apartments

*Financial Administration* — David Cervantes, Dir. Financial Admin.

e) Presentation and Discussion of the 4th Quarter Investment Report

*Bond Finance* — Tim Nelson, Dir. Bond Finance

f) Presentation, Discussion and Possible Action on Resolution 11-007 approving the First Amendment to the Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture which includes modifications to the New Issue Bond Program

*Multifamily Division Items - Housing Tax Credit Program* — Robbye Meyer, Dir. Multifamily

g) Presentation, Discussion, and Possible Action regarding Housing Tax Credit and Exchange Program Extensions

| | | |
|---|---|---|
| 04408 | Hickory Manor Apartments | DeSoto |
| 04488 | Mission del Rio | San Antonio |
| 04463 | Lakeside Manor Apartments | Little Elm |
| 04612 | Willow Bend Apartments | San Antonio |
| 05610 | Prairie Ranch Apartments | Grand Prairie |
| 060206 | Mesquite Terrace | Mabank |
| 07166/08929 | Jeremiah Seniors | Hurst |

h) Presentation, Discussion, and Possible Action regarding of Housing Tax Credit Amendments

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| 09721 | Four Seasons | Fort Worth |
| 10061 | Magnolia Trails | Magnolia |

i) Presentation, Discussion, and Possible Action regarding Approval for a Memorandum of Understanding between TDHCA and the Texas Bond Review Board

*HOME*

Jeannie Arellano
Dir. HOME

j) Presentation and Discussion of current HOME Program Fund Balance Report and Possible Action for the Programming of Available Funds for Pilot Programs for Direct Administration

k) Presentation, Discussion, and Possible Action to Ratify HOME Program Reservation System Participants approved by the Executive Director

l) Presentation, Discussion, and Possible Action on HOME Program Multifamily Development Award Recommendations

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|---|---|---|
| 2010-10033 | Sulphur Springs Pioneer Crossing for Seniors | Sulphur Springs |
| 2010-10151 | Sunflower Estates | La Feria |

*Office of Colonia Initiatives*

Homero Cabello
Dir. HTF/OCI

m) Presentation, Discussion, and Possible Action of the Use of Available Additional Texas Bootstrap Loan Program Funds from Housing Trust Fund

*Housing Resource Center*

Brooke Boston
DED Community Based

n) Presentation, Discussion, and Possible Action regarding the 2011 Regional Allocation Formula Methodology

o) Presentation, Discussion, and Possible Action regarding the 2011 Affordable Housing Needs Score Methodology

p) Presentation, Discussion, and Possible Action regarding the 2011 State of Texas Consolidated Plan: One-Year Action Plan

*Community Affairs*

Michael DeYoung
Dir. CA

q) Presentation, Discussion, and Possible Action on the FY 2011 Emergency Solutions Grants Program (ESGP) Notice of Funding Availability (NOFA)

r) Presentation, Discussion and Possible Action on the release of a Request for Applications for provision of Services for the Community Services Block Grant (CSBG) in Mitchell, Shackleford, Stephens, and Taylor Counties

s) Presentation, Discussion, and Possible Action to Allow for Contract Amendments for awarded Pilot Program for the Homelessness Prevention and Rapid Re-Housing Program (HPRP)

t) Presentation, Discussion, and Possible Action of the 2011 Section 8 Payments Standards for Housing Choice Vouchers, Resolution No. 11-006

u) Presentation, Discussion, and Possible Action to Ratify the award made by the Executive Director to Rolling Plains Management Corporation of the ARRA WAP, DOE WAP, LIHEAP WAP and CEAP programs for the service area formerly served by CAP Inc.

v) Presentation, Discussion, and Possible Action on the release of a Request for Applications for provision of Services for the Comprehensive Energy Assistance Program (CEAP) in Tom Green County

w) Presentation, Discussion, and Possible Action on the authority for the Executive Director to release a NOFA for CSBG State Discretionary Funds, to fund Innovative Programs created by Community Action Agencies under CSBG ARRA

# ACTION ITEMS

## Item 2: ARRA Accountability and Oversight:

a) Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) — Brooke Boston, DED Community Based Programs

## Item 3: Appeals:

a) Presentation, Discussion, and Possible Action on Multifamily Program Appeals: — Robbye Meyer, Dir. Multifamily

| | | |
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| 10115 | Tuscany Place | Kingwood |

Appeals Timely Filed

b) Presentation, Discussion, and Possible Action on Tax Credit Assistance Program Appeals: — Tom Gouris, DED Housing Programs

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| 09750 | Residences at Weatherford | Weatherford |

Appeals Filed Timely

c) Presentation, Discussion, and Possible Action on Exchange Program Appeals: — Tom Gouris, DED Housing Programs

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| 09904 | LULAC Hacienda Apartments | Corpus Christi |
| 09957 | Woodland Park at Decatur | Decatur |

Appeals Filed Timely

d) Presentation, Discussion, and Possible Action on HOME Program Appeals: — Tom Gouris, DED Housing Programs

Appeals Filed Timely

e) Presentation, Discussion, and Possible Action on Underwriting Appeals: — Brent Stewart, Director, REA

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| 77090000252 | Renaissance Village Apartments | San Antonio |

Appeals Filed Timely

f) Presentation, Discussion, and Possible Action on Housing Trust Fund Program Appeals: — Dee Patience, Mgr. HTF

Appeals Filed Timely

## Item 4: Rules:

a) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* of final orders adopting amendments to 10 TAC Chapter 5, Subchapter H, Section 8 Housing Choice Voucher Program, §5.801, Project Access Initiative concerning the Project Access Initiative — Brooke Boston, DED Community Based Programs

b) Presentation, Discussion, and Possible Action to publish proposed amendments to the rule for the HOME Program, 10 TAC Chapter 53, Subchapters B, C, D, and H for public comment and publication in the *Texas Register* — Jeannie Arellano, Dir. HOME

c) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* final orders repealing 10 TAC Chapter 49, concerning 2009 Housing Tax Credit Program Qualified Allocation Plan and Rules, and adopting new 10 TAC Chapter 49, concerning 2011 Housing Tax Credit Program Qualified Allocation Plan and Rules — Robbye Meyer, Dir. MF

d) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* final orders repealing 10 TAC Chapter 35, concerning 2009 Multifamily Housing Revenue Bond Rules, and adopting new 10 TAC Chapter 35, concerning 2011 Multifamily Housing Revenue Bond Rules

e) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* of proposed repeal of 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.126 and proposed new 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.129 — Patricia Murphy, Chief, Comp. & Asset Oversight

f) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* *a* final order adopting new 10 TAC Chapter 1 §1.1 concerning Definitions for Housing Program Activities

g) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register*, proposed amendments to 10 TAC Chapter 5, Subchapter A. §5.3, §5.20; Subchapter B. §5.203; §5.207; §5.210; §5.216; Subchapter C §5.303; §5.304; §5.310 — Michael DeYoung, Dir. CA

h) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* a final order adopting Amendments to 10 TAC Chapter 5 Subchapters A, E and I

i) Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* final orders repealing 10 TAC Chapter 1, Sections 1.31 – 1.37, 2010 Real Estate Analysis Rules and Guidelines and adopting new 10 TAC Chapter 1, §§1.31 – 1.37, 2011 Real Estate Analysis Rules and Guidelines — Brent Stewart, Dir. REA

## Item 5: Multifamily Division Items – Housing Tax Credit Program:

Robbye Meyer, Dir. Multifamily

a) Presentation and Discussion of the Status of Applications Awarded Housing Tax Credit Exchange Funds

b) Presentation, Discussion, and Possible Action to Award Remaining Exchange Funds and/or return of Funds to the US Treasury Department

## Item 6: Disaster Recovery

Sara Newsom, DED, Emergency Housing & Disaster

a) Presentation, Discussion, and Possible Action on Action Plan amendment for Rita Round II, transferring disaster unobligated or unutilized funds to the Homeowner's Assistance Program

b) Presentation, Discussion, and Possible Action on Action Plan Amendment for Rita Round I, transferring disaster unobligated or unutilized funds to a State Administered Housing Assistance Program

c) Presentation, Discussion, and Possible Action regarding Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Hurricane Ike/Dolly Round I Funding

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|---|---|---|
| 70090001 | City of Houston | Houston |
| 70090005 | Montgomery County | Conroe |
| 70090014 | Galveston County | Galveston |

d) Presentation, Discussion, and Possible Action regarding Disaster Recovery Housing Program Guidelines

e) Presentation, Discussion, and Possible Action regarding the Materially Complete Draft of the Phase 1 Analysis of Impediments

## REPORT ITEMS

Kent Conine, Chairman

1. TDHCA Outreach Activities, September/October 2010

2. Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA, including update on Ike/Dolly Round II — Sara Newsom, DED, Emergency Housing & Disaster

## EXECUTIVE SESSION

Kent Conine, Chairman

The Board may go into Executive Session (close its meeting to the public):

1. The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee

2. Pursuant to Tex. Gov't. Code, §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer, including:

   *a) The Inclusive Communities Project, Inc. v. Texas Department of Housing and Community Affairs, et al filed in federal district court, Northern District of Texas*

   *b) Caroline Miller, et al. vs. State of Texas, et al, filed in District Court for Travis County*

   *c) Claim of Gladys House filed with the EEOC*

3. Pursuant to Tex. Gov't. Code, §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this Tex. Gov't. Code, Chapter 551

4. Pursuant to Tex. Gov't. Code, §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session

Kent Conine, Chairman

**ADJOURN**

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

**BOARD SECRETARY**

**BOARD ACTION REQUEST**

**NOVEMBER 10, 2010**

Presentation, Discussion, and Possible Action regarding Board Minute Summary for September 9, 2010 and ratification of Items 6(b) (Harris County Contracts) and 6(d) (Program Guidelines) which were not reflected in the September 9, 2010, transcript as having been specifically approved.

## Recommended Action

Approve Board Meeting Minute Summary for September 9, 2010.

> **RESOLVED,** that the Board Meeting Minute Summary for September 9, 2010 and ratification of Items 6(b) (Harris County Contracts) and 6(d) (Program Guidelines) which were not reflected in the September 9, 2010, transcript as having been specifically approved, is hereby approved as presented.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# BOARD MEETING

**September 9, 2010; 9:30 a.m.**

Texas State Technical College
Cultural Arts Center
1902 North Loop 499
Harlingen, TX 78550

## Summary of Minutes

### CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of September 9, 2010 was called to order by Chair, Kent Conine, at 9:30 a.m. It was held at the Texas State Technical College Cultural Arts Center at 1902 North Loop 499, Harlingen, TX. Roll call certified a quorum was present.

Members Present:

Kent Conine, Chair
Gloria Ray, Vice Chair
Leslie Bingham-Escareño, Member
Tom H. Gann, Member
Lowell Keig, Member
Juan Muñoz, Member *(arrived during the Public Comment period.)*

### PUBLIC COMMENT

The Board 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 Board.

John Henneberger, co-director of the Texas Low-Income Housing Information Service provided testimony thanking staff on their efforts regarding the Neighborhood Stabilization program.
Donna Rickenbacker, provided testimony concerning the proposed QAP.
Stephen Fairfield, Houston-based nonprofit sponsor and developer of the proposed Orchard at West Chase in Houston, provided testimony in support of the project.
John Plaster, Freedom Air Conditioning, provided testimony.
Stanford Knowles, provided testimony in support of Champion Homes of Minnesota and Brownsville.
Albert Leal, owner of Service Plumbing, provided testimony.
Joe Clifford, pastor of the First Presbyterian Church of Dallas, provided testimony in support of #10232, Evergreen Residences at 3800 Willow in the Deep Elm area of Dallas (Item 4(f)).
Graham Greene, provided testimony in support of #10232, Evergreen Residences at 3800 Willow in the Deep Elm area of Dallas (Item 4(f)).
The Honorable Senator Eddie Lucio, provided testimony and asked for a forward commitments for Sunflower Estates Housing Development in La Feria and Champion Homes at Canyon Creek, Project Number 10135.

### CONSENT AGENDA

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Texas Government Code, Texas Open Meetings Act.

AGENDA ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

*Executive*

a) Presentation, Discussion, and Possible Action regarding Board Minute Summaries for July 8 and July 29, 2010

b) Presentation, Discussion, and Possible Action regarding the authorization of staff to undertake procurement activity for third parties to assist with various Department activities

Item 1(b) pulled for further discussion.

Motion by Ms. Bingham-Escareño to approve staff's request, with amendment to add that staff return to the Board with a recommendation for final approval of decision to outsource FTEs; seconded by Ms. Ray; passed unanimously.

*Bond Finance*

c) Presentation, Discussion, and Possible Action regarding Resolution No. 11-003 authorizing a Mortgage Credit Certificate Program (MCC) for first-time homebuyers (Program 78) along with related program documents to be administered by the Texas Department of Housing and Community Affairs

d) Presentation, Discussion, and Possible Action regarding Resolution No. 11-004 authorizing the Department to enter into an agreement with Texas local housing finance agencies to provide down payment assistance under the First Time Homebuyer Program

e) Presentation, Discussion, and Possible Action regarding Resolution No. 11-005 authorizing a range of mortgage interest rates under the First Time Homebuyer Program, authorizing acceptance of the Treasury's modifications to The New Issue Bond Program, and update on warehouse pipeline and mortgage rates for Program 77

*Multifamily Division Items - Housing Tax Credit Program*

f) Presentation, Discussion, and Possible Action regarding Housing Tax Credit and Exchange Program Extensions

| | | |
|---|---|---|
| 02120 | Humble Memorial Gardens | Humble |
| 05441 | Cobblestone Manor | Fort Worth |
| 09910 | Lexington Square | Angleton |
| 09916 | Mid-Towne | Tomball |
| 09917 | Alta Vista | Burnet |
| 09921 | Oak Manor | San Antonio |
| 09922 | Parkview Terrace | Pharr |
| 09929 | Buena Vida Senior | Corpus Christi |
| 09932 | Constitution Court | Copperas Cove |
| 09019/09703 | Timber Villas, II | Marshall |

*Tax Credit Assistance Program (TCAP)*

g) Presentation, Discussion, and Possible Action regarding conditional award of TCAP Round 3 Application

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|---|---|---|
| 10711 | Sutton Homes | San Antonio |

*HOME*

h) Presentation Discussion, and Possible Action regarding the 2009 Single Family Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance Programs Award Recommendations

Owner-Occupied Housing Assistance

| | | |
|---|---|---|
| 2009-0102 | City of Primera | Primera |

Homebuyer Assistance

| | | |
|---|---|---|
| 2009-0103 | City of Primera | Primera |

Item 1(h) pulled for further discussion.

Javier Mendez, City Administrator for the City of Primera, provided testimony.

Motion by Ms. Bingham-Escareño to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

*Housing Trust Fund*

i) Presentation, Discussion, and Possible Action regarding of the 2010-2011 Housing Trust Fund Affordable Housing Match Program NOFA Award Recommendations:

| | | |
|---|---|---|
| 2010-0030 | Foundation Communities | Austin |
| 2010-0031 | National Farm Workers Service Center, Inc. | Austin |
| 2010-0032 | Green Doors | Austin |
| 2010-0033 | Habitat for Humanity of San Antonio, Inc. | San Antonio |

*Neighborhood Stabilization*

j) Presentation, Discussion and Possible ratification and adoption of awards and actions taken by the Director under Emergency Authority between July 30, 2010 and September 3, 2010

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|---|---|
| Housing and Community Services, Inc. | Bexar |
| Tarrant County Housing Partnership, Inc. | Tarrant |
| Fort Worth Affordable, Inc. | Tarrant |
| Tarrant County Housing Partnership, Inc. | Tarrant |
| Covenant Community Capital Corporation | Harris |
| FC Austin One Housing Corporation | Travis |
| Fort Worth Affordability, Inc. | Tarrant |
| Covenant Community Capital Corporation | Fort Bend |
| Fort Worth Affordability, Inc. | Tarrant |

k) Presentation and Discussion of status of Neighborhood Stabilization Program funds

*Compliance and Asset Management*

l) Presentation, Discussion, and Possible Action regarding resolution number 11-002 concerning the holding of real estate beyond three year limitation

Item 1(l) pulled for further discussion.

Motion by Mr. Keig to approve staff recommendation, with amendment to bring back to the board after one year; seconded by Ms. Ray; passed unanimously.

*Housing Resource Center*

m) Presentation, Discussion and Possible Action regarding the 2011 Regional Allocation Formula Methodology (Draft for Public Comment)

n) Presentation, Discussion and Possible Action regarding the 2011 Affordable Housing Needs Score (Draft for Public Comment)

o) Presentation, Discussion and Possible Action regarding the 2011 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)

*Community Affairs*

p) Presentation, Discussion, and Possible authorization to release a Request for Applications for provision of Services for the Community Services Block Grant (CSBG), Weatherization Assistance Programs (WAP), and the Comprehensive Energy Assistance Program (CEAP) in Duval County

q) Presentation, Discussion and Possible Action regarding award to support the Continuum of Care annual application

Motion by Ms. Ray to approve Consent Agenda Items 1(a), (c) – (g), (i) – (k), and (m) – (q) with Agenda Items (b), (h) and (l) pulled for further discussion; seconded by Mr. Gann; passed unanimously.

The Board took a brief recess.

Mr. Conine announced that in order to expedite the process, the board will take items that do not have public comment, and vote on them as a group.

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

ACTION ITEMS

AGENDA ITEM 2: APPEALS:

a) Presentation, Discussion, and Possible Action on Multifamily Program Appeals:

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| 10270 | Gateway to Eden | Eden |

Ethan Horne, provided testimony.

Motion by Ms. Bingham-Escareño to approve staff recommendation to deny appeal; seconded by Mr. Gann; passed unanimously.

b) Presentation, Discussion, and Possible Action on Tax Credit Assistance Program Appeals:

None filed.

c) Presentation, Discussion, and Possible Action on Exchange Program Appeals:

None filed.

d) Presentation, Discussion, and Possible Action on HOME Program Appeals:

None filed.

e) Presentation, Discussion, and Possible Action on Underwriting Appeals:

None filed.

f) Presentation, Discussion, and Possible Action on Housing Trust Fund Program Appeals:

None filed.

AGENDA ITEM 3: RULES:

a) Presentation, Discussion and Possible Action regarding the adoption of final orders repealing the old HOME Program Rule and adopting the new HOME Program Rule at 10 TAC, Chapter 53, and publication in the *Texas Register*

Donna Johnson, Grant Works, provided testimony.

Motion by Ms. Ray to approve staff recommendation, including the suggested changes to §§53.30(3)(a) and 53.502(a); seconded by Dr. Muñoz; passed unanimously.

b) Presentation, Discussion and Possible Action regarding approval of the publication of the proposed repeal of 10 TAC Chapter 1, §§1.31 – 1.37, 2010 Real Estate Analysis Rules and Guidelines and a proposed new 10 TAC Chapter 1, §§1.31 – 1.37, 2011 Real Estate Analysis Rules and Guidelines for comment in the *Texas Register*

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

c) Presentation, Discussion, and Possible Action regarding approval of the publication of proposed repeal of 10 TAC Chapter 49, concerning 2009 Housing Tax Credit Program Qualified Allocation Plan and Rules, and a proposed new 10 TAC Chapter 49, concerning 2011 Housing Tax Credit Program Qualified Allocation Plan and Rules for public comment in the *Texas Register*

Diana McIver, Texas Affiliation of Affordable Housing Providers, provided testimony.

David Koogler, Mark Dana Corporation, provided testimony.

Sarah Anderson, S. Anderson Consulting and S2A Development Consulting, provided testimony.

John Henneberger, Texas Low-Income Housing Information Service, provided testimony.

Donna Rickenbacker, Marquis Real Estate Consultants, provided testimony.

Cynthia Bast, Locke Lord & Liddell, provided testimony.

Jean Latsha, National Farm Worker Service Center, provided testimony.

Scott Marks, Coates Rose, provided testimony.

Tony Sisk, Churchill Residential, provided testimony.

Colby Denison, Denison Development, provided testimony.

Motion by Dr. Muñoz to approve the staff recommendation with amendments as discussed; seconded by Ms. Ray; passed unanimously.

EXECUTIVE SESSION

At 12:50 p.m. Mr. Conine convened the Executive Session.

1. The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee
2. Pursuant to Tex. Gov't. Code, §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer, including:
   a) *The Inclusive Communities Project, Inc. v. Texas Department of Housing and Community Affairs*, et al filed in federal district court,
3. Pursuant to Tex. Gov't. Code, §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this Tex. Gov't. Code, Chapter 551

4. Pursuant to Tex. Gov't. Code, §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person

OPEN SESSION

At 1:50 p.m. Mr. Conine reconvened the Open Session and announced that no action had been taken during the Executive Session and certified that the posted agenda had been followed.

d) Presentation, Discussion, and Possible Action regarding approval of the publication of the proposed repeal of 10 TAC Chapter 35, concerning 2009 Multifamily Housing Revenue Bond Rules, and a proposed new 10 TAC Chapter 35, concerning 2011 Multifamily Housing Revenue Bond Rules for public comment in the *Texas Register*

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

e) Presentation, Discussion, and Possible Action regarding approval of the publication of a proposed new 10 TAC Chapter 1 §1.1 concerning Definitions for Housing Program Activities for public comment in the *Texas Register*

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

AGENDA ITEM 4: MULTIFAMILY DIVISION ITEMS - HOUSING TAX CREDIT PROGRAM:

a) Presentation and Discussion of the Status of Applications Awarded Housing Tax Credit Exchange Funds and Possible Action of Extension, Ratification and Award of Remaining Exchange Funds and Authorization for Executive Director approval going forward

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| 09310 | Champions at Baywalk | Galveston |
| 09312 | Villas at El Dorado | Houston |
| 09974 | Courtwood Apartments | West |
| 09955 | Oakwood Apartments | Brownwood |
| 09353 | Hyatt Manor I & II | Gonzales |
| 09992 | Northgate & Rhomberg | Burnet |
| 09995 | Village Place | Lorena |
| 09997 | Autumn Villas | Lorena |
| 09998 | Prairie Village | Rogers |
| 09999 | Cherrywood Apartments | West |
| 09901 | Las Palmas Gardens | San Antonio |
| 09903 | West End Baptist Manor | San Antonio |
| 09904 | LULAC Hacienda | San Antonio |
| 09909 | Champion Homes at La Joya | La Joya |
| 09951 | Canyons Retirement Community | Amarillo |
| 09957 | Woodland Park | Decatur |
| 09965 | Peachtree Senior | Balch Springs |

Motion by Ms. Bingham-Escareño to approve staff recommendations; seconded by Mr. Keig; passed unanimously.

b) Presentation, Discussion, and Possible Action regarding of Housing Tax Credit Amendments

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| 01042 | Fountains at Tidwell | Houston |

Withdrawn from consideration.

c) Presentation, Discussion and Possible Action to Authorize the Executive Director to waive the threshold wiring requirements for previous years to the current Qualified Allocation Plan standard of RG-6 COAX or better and CAT3 phone cable or better on a case by case basis

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

d) Presentation, Discussion, and Possible Action regarding 9% awards under the 2010 Competitive Housing Tax Credit Application Round

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| 10262 | Las Brisas Manor | Del Rio |

Breck Kean provided testimony.

Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Gann; passed unanimously.

e) Presentation, Discussion, and Possible Action regarding the Waiting List for the 2010 Competitive Housing Tax Credit Application Round

Motion by Dr. Muñoz to approve staff recommendation; seconded by Ms. Ray; passed unanimously.

f) Presentation, Discussion and Possible Action regarding the Issuance of Forward Commitments for Allocations from the 2011 State Housing Credit Ceiling for 2010 Applications

Bobby Bowling, provided testimony in support of a forward commitment for Canutillo Palms.

Noor Jooma, provided testimony in support of a forward commitment for Sulphur Springs.

Jay Chapa, Director of Housing and Economic Development, City of Fort Worth, provided testimony in support a forward commitment for Terrell Homes, #10117.

The Honorable Councilwoman Kathleen Hicks, City of Fort Worth, provided testimony in support of Terrell Heights.

Meghan Garza-Oswald, Vice President of External Relations at Haven for Hope, provided testimony in support of Terrace of Haven for Hope, Project 10-114 in San Antonio.
Walter Moreau, Director of Foundation Communities, provided testimony in support of a forward commitment for Shady Oaks, Austin, TX.
Colby Denison, provided testimony in support of a forward commitment for #10-040, The Ashton Senior Village.
Alan McDonald, provided testimony in support a forward commitment for of Hillside West development in Dallas.
Terri Anderson, Anderson Capital, provided testimony in support of a forward commitment for Hillside West, TDHCA #10-200.
Brandon Bolin, provided testimony in support of Hillside West, #10-200.
Dru Childre, provided testimony in support of a forward commitment for North Court Villas in Frisco, TX.
Brian Roop, Bank of America Community Development Corporation, provided testimony in support of a forward commitment for Windwood Seniors Housing Project, #10-044.
John Greenan, Executive Director of Central Dallas Community Development Corporation, provided testimony in support of forward commitment for Windwood Seniors Housing Project, #10-044.
Barry Palmer, Coates Rose, provided testimony in support of forward commitments for the Windwood Seniors Project.
Richard Washington, provided testimony in support of a forward commitment for Darson Marie Terrace in San Antonio, TX.
Bill Fisher, Odyssey Residential, provided testimony in support of Champion Homes at Canyon Creek.
Manish Verma, provided testimony in support of a forward commitment for Sedona Ranch Senior Housing, Fort Worth, #10-158.
Cynthia Bast, Locke Lord Bissell & Lidell, provided testimony in support of a forward commitment for Sedona Ranch Senior Housing, Fort Worth, #10-158.
Reverend Joe Clifford, provided testimony in support of a forward commitment for #10232, Evergreen Residences at 3800 Willow in, Dallas, TX.
The Honorable Mayor Steve Brewer, provided testimony in support of a forward commitment for Sunflower Estates project, 10-151.
Sunny Philip, provided testimony in support of a forward commitment for Sunflower Estates project, 10-151.
Dr. Maria Vidaurri, La Feria ISD Assistant Superintendent for Curriculum and Instruction, provided testimony in support of a forward commitment for Sunflower Estates #10-151, La Feria, TX.
Fernando Lopez, provided testimony in support of a forward commitment for #10-223 Sunset Terrace Senior Village, Pharr, TX.
John Shackelford, provided support for a forward commitment for the Villas of Giddings.

The Board took a brief recess.

Motion by Ms. Bingham-Escareño to approve Item 4f) 2011 forward commitments for: 10-024 Canutillo; 10-117 Terrell Homes; 10-114 Haven for Hope Terrace; 10-152 Shady Oaks; 10-040 Ashton Senior; 10-020 Hillside West; 10-044 Windwood; 10-158 Sedona; 10-232 Willow at Evergreen; 10-151, Sunflower Estates; 10-045 North Court Villas, 10-135 Champion Homes; 10-033, Sulphur Springs; and 10-090, Silver Springs; seconded by Ms. Ray; passed unanimously.

## AGENDA ITEM 5: HOME

a) Presentation, Discussion and Possible Action regarding the 2010 HOME Multifamily Development Program Notice of Funding Availability
b) Presentation, Discussion, and Possible Action regarding the 2010 Rental Housing Development Award Recommendations Persons with Disabilities Set-Aside
c) Presentation, Discussion, and Possible Action regarding the 2010 HOME Single Family Development Program Notice of Funding Availability
d) Presentation, Discussion, and Possible Action regarding the 2010 HOME Single Family Programs Notice of Funding Availability

Motion by Ms. Ray to approve Agenda Items 3(b), (d), (e), 4(c), and 5(a) - (d); seconded by Mr. Gann; passed unanimously.

AGENDA ITEM 6: DISASTER RECOVERY

Mike Giroux, ACS, provided report.

a) Presentation, Discussion, and Possible Action regarding Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Hurricane Rita Round II Funding
70060000002 City of Houston

Motion by Mr. Gann to approve staff recommendation; second by Ms. Ray; passed unanimously.

b) Presentation, Discussion, and Possible Action regarding Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Rita Round II Funding
70060000003 Harris County

The Board approved as presented.

c) Presentation, Discussion, and Possible Action regarding Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Hurricane Ike/Dolly Round I Funding
70090001 City of Houston

John Henneberger, Texas Low Income Housing Information Service, provided testimony.

Veronica Chapa Jones, Deputy Director of Grants, Management and Compliance with the City of Houston Housing and Community Development Department, provided testimony.

Motion by Ms. Ray to table Agenda Item 6c) until the November board meeting; seconded by Mr. Keig; passed unanimously.

d) Presentation, Discussion, and Possible Action regarding Disaster Recovery Housing Program Guidelines with or without Additional Conditions from the Board

The Board approved as presented.

AGENDA ITEM 7: ARRA ACCOUNTABILITY AND OVERSIGHT:

a) Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act)

Report item only.

REPORT ITEMS

1. TDHCA Outreach Activities, July 2010
2. First Time Homebuyer Program update on Program 70 and Program 74 pipeline and loan originations
3. Discussion of the proposed partial sale of mortgage certificates and partial tender of bonds from Residential Mortgage Revenue Bonds Series 2001ABC, 2002A, and Single Family Mortgage Revenue Bonds Series 2002ABCD
4. Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA, including update on Ike/Dolly Round II
5. Housing and Health Services Coordination Council 2010-2011 Biennial Plan

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 3:35 p.m. on September 9, 2010.

______________________________

Brooke Boston, Board Secretary

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

# ORAL PRESENTATION

**Internal Audit Division**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Action Items

Presentation, discussion and possible action on the proposed 2011 Internal Audit Plan.

## Required Action

Review and approve the draft 2011 internal audit work plan.

## Background

The annual internal audit work plan is required by the Texas Internal Auditing Act. The plan outlines the program areas that the internal audit division will audit during the 2011 fiscal year as well as outlining the other planned activities of the internal audit division.

## Recommendation

Staff recommends approval.

| Department of Housing and Community Affairs<br>Internal Audit Division – Fiscal Year 2011<br>DRAFT Internal Audit Plan | | | |
|---|---|---|---|
| **Program Area/Division** | **Audit** | **Estimated Timeline** | **Comments** |
| NSP | Neighborhood Stabilization Program | Current | Carry-Over from FY 2010 Audit Plan |
| Information Systems | An Audit of Information Technology Governance | Current | Carry-Over from FY 2010 Audit Plan – Required by Audit Standards |
| Community Affairs | Weatherization Program | December 2010 | Scope will be Determined During Planning |
| Disaster Recovery | Hurricane Ike | July 2011 | Scope will be Determined During Planning |
| Multi-Family | Tax Credit Exchange Program | April 2011 | Scope will be Determined During Planning |
| HOME | Tax Credit Assistance Program | January 2011 | Scope will be Determined During Planning |
| **Program Area/Division** | **Management Assistance/ Special Projects** | | **Comments** |
| Internal Audit | Conduct Annual Risk Assessment and Prepare Fiscal Year 2011 Audit Plan | Completed | Required by the Texas Internal Auditing Act and by Audit Standards |
| Internal Audit | Review and Revise Internal Audit Charter | December 2011 | Required by Audit Standards |
| Internal Audit | Quality Assurance Self-Assessment Review | January 2011 | Required by Audit Standards |
| Internal Audit | Review and Revise Internal Audit Policies and Procedures to Comply with New Auditing Standards | August 2011 | The GAO Will Be Releasing A Revised Version of the Government Auditing Standards |
| Internal Audit | Configure Teammate Audit Software | January 2011 | Changes to Teammate will Provide IA with increased Functionality and Efficiency |
| Internal Audit | Preparation and Submission of the Fiscal Year 2010 Annual Internal Audit Report | Completed | Required by the Texas Internal Auditing Act |
| Internal Audit | Coordinate with External Auditors | Ongoing | Ongoing Requirement |
| Internal Audit | Monitor ARRA Issues | Ongoing | Ongoing Requirement |
| All Divisions | Follow-up on the Status of Prior Audit Issues | Ongoing | Required by Audit Standards |
| All Divisions | Tracking the Status of Prior Audit Issues | Ongoing | Required by Audit Standards |
| All Divisions | Tracking, Follow-up and Disposal of Fraud Hotline Calls | Ongoing | Internal Audit is Responsible for the Fraud Hotline |

**LEGAL DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

Presentation, Discussion, and Possible Action on the Agreed Final Order with respect to Arbor Oaks Apartments.

## Recommended Action

> **RESOLVED**, that the Agreed Final Order assessing administrative penalties for noncompliance at Arbor Oaks Apartments, in the form presented to this meeting, is hereby adopted as the order of this Board.

## Background

Arbor Oaks Apartments received an allocation of $2,072,800 in low income housing tax credits in 1995. The property is currently in material noncompliance but the owner, Optimum Arbor Oaks, LLC, has come to an agreement with the Department's Enforcement Committee to resolve all issues of noncompliance.

Consistent with direction from the Department's Enforcement Committee, the following administrative penalties are recommended:

1. $8,000.00 due immediately;
2. Additional $15,000.00 due if the violations outlined in the Agreed Final Order are not corrected on or before October 31, 2010.

Compliance and Asset Oversight is scheduled to be on-site to review corrective action on November 4, 2010.

Failure to bring the property into full compliance by December 31, 2010 is considered a breach of the Agreed Final Order and TDHCA shall have the right to pursue penalties, which may be in excess of those outlined above, to the fullest extent allowed by law and to pursue any other lawful rights and remedies and/or debarment.

| | | |
|---|---|---|
| IN THE MATTER | § | BEFORE THE |
| OF | § | TEXAS DEPARTMENT OF |
| ARBOR OAKS A/K/A OAK VILLA | § | HOUSING AND |
| APARTMENTS | § | COMMUNITY AFFAIRS |
| | § | |

AGREED FINAL ORDER

On this _____, day of _________________, 2010, the Texas Department of Housing and Community Affairs ("TDHCA") considered the matter of multiple tenant file and serious safety, sanitary and repair violations at Arbor Oaks a/k/a Oak Villa Apartments, a 297 unit property located at 3500 W. Little York in Houston, Harris County, Texas ("Property" or "Development"), owned by OPTIMUM ARBOR OAKS, LLC, a Texas limited liability company ("Owner").

This Agreed Final Order is executed pursuant to the authority of the Texas Government Code, Chapter 2306, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Governing Board of TDHCA (the "Board") and Owner agree to resolve this matter by this Agreed Final Order. The Owner agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the Findings of Fact 2 through 5 set out in this Order.

Upon investigation and recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this order:

**FINDINGS OF FACT**

*Jurisdiction:*

1. The Arbor Oaks a/k/a Oak Villa Apartments, currently owned by OPTIMUM ARBOR OAKS, LLC, a Texas limited liability company, are subject to a Land Use Restriction Agreement ("LURA") signed and filed by TDHCA in consideration for an allocation of $2,072,800 in Low Income Housing Tax Credits to Houston/Arbor, LP, a Texas limited partnership, in 1995.

*Compliance Violations:*

2. On June 10, 2008, an on-site monitoring review was conducted to determine whether the Arbor Oaks a/k/a Oak Villa Apartments were in compliance with LURA requirements to lease the units to low income households and maintain records demonstrating eligibility. Notification of noncompliance was sent on August 29, 2008 by the Compliance and Asset Oversight Division ("Compliance") establishing a corrective action deadline of November 27, 2008 to submit required documentation showing that the necessary action had been taken to correct the following issues of noncompliance:

a. Development failed to provide documentation that household incomes were within prescribed limits upon initial occupancy, a violation of 10 TAC §60.108 and the LURA; and

b. Development failed to maintain or provide tenant income certifications and documentation, a violation of 10 TAC §60.108 and 10 TAC §60.111, which require annual certifications.

3. A Uniform Physical Condition Standards inspection ("UPCS Inspection") of Arbor Oaks a/k/a Oak Villa Apartments was conducted on . The inspection report showed numerous serious property condition violations, a violation of 10 TAC §60.116 and §42 of the Internal Revenue Code, as amended, as interpreted by Treasury regulations and publications. A copy of the inspection report was mailed to Owner by Compliance on July 2, 2008 establishing a corrective action deadline of September 30, 2008, providing Owner a reasonable opportunity to respond to the report and bring the property into compliance. A copy of the inspection report is attached hereto as Exhibit A.

4. Representatives of Owner attended the informal conference on November 12, 2009 and indicated their intention to bring all of their tenant files into compliance and resolve all violations listed on TDHCA's Issues of Noncompliance report, a copy of which is attached hereto as Exhibit B, no later than February 28, 2010.

5. Owner failed to make the required corrections by the committee deadline. To date, only partial compliance has been achieved and a follow-up inspection performed on July 15, 2010 showed numerous serious property condition standards remaining.

**CONCLUSIONS OF LAW**

1. Tex. Gov't Code §§2306.041 through 2306.0503, and 10 TAC §60 provide for the assessment and enforcement of administrative penalties against persons responsible for the operation of properties funded by TDHCA, including properties funded in whole or in part with low-income housing tax credits, that are not kept in a condition that is decent, safe, sanitary and in good repair. Penalties may also be assessed for failure to comply with TDHCA reporting, inspection and/or financial requirements and a reduced penalty may be assessed for corrected issues of noncompliance.

2. OPTIMUM ARBOR OAKS, LLC, a Texas limited liability company, Owner, is subject to the jurisdiction of this Board and is required to comply with TDHCA Rules and the LURA.

3. Failure to comply with TDHCA property condition standards, annual reporting, inspection and/or financial requirements is a violation of IRS guidelines and TDHCA Rules, in particular, 10 TAC §60.108, 10 TAC §60.111 and 10 TAC §60.116.

NOW, THEREFORE, the Texas Department of Housing and Community Affairs, acting by and through its Governing Board, hereby ORDERS that:

1. Administrative penalties in the amount of Eight Thousand Dollars and No/100 ($8,000.00), as allowed by statute and 10 TAC §60.309 and determined in accordance with all applicable statutory factors, are hereby assessed against Optimum Arbor Oaks, LLC. Payment shall be made by cashier's check payable to the Texas Department of Housing and Community Affairs and shall be received no later than September 24, 2010.

2. Owner shall correct all outstanding items on the Issues of Noncompliance Report attached hereto as Exhibit B, update all tenant files and rehabilitate Arbor Oaks a/k/a Oak Villa Apartments to a condition sufficient to bring the property into compliance with all applicable laws, rules and the LURA no later than October 31, 2010.

3. Failure to bring Arbor Oaks a/k/a Oak Villa Apartments into compliance on or before October 31, 2010 shall, without need of any prior notice, automatically result in an additional administrative penalty in the amount of Fifteen Thousand Dollars and No/100 ($15,000.00) coming due and immediately payable.

4. Failure to bring Arbor Oaks a/k/a Oak Villa Apartments into full compliance on or before December 31, 2010 is considered a breach of this Agreed Final Order and TDHCA shall have the right to pursue penalties, which may be in excess of those outlined above, to the fullest extent allowed by law and to pursue any other lawful rights and remedies and/or debarment.

5. Owner shall immediately notify TDHCA upon completion of all corrections. TDHCA will then schedule a file monitoring review and UPCS inspection to verify corrections. Any and all correspondence should be sent to:

   TDHCA
   Attn: Legal – Ysella Kaseman
   P.O. Box 13941
   Austin, Texas 78711
   ysella.kaseman@tdhca.state.tx.us
   512.475.2124 (tel)
   512.472.7500 (fax)

6. The terms of this Agreed Final Order will be published on the TDHCA website under Board Resolutions.

7. Upon approval by the Board, the Chair of the Board and the Secretary of the Board are authorized to sign this order.

By signing and entering into this Agreed Final Order, Owner, acting through its duly authorized representative:

1. Represents and warrants to TDHCA that he/she has been represented and advised by legal counsel of his/her choosing and is entering into this Agreed Final Order voluntarily and knowingly;

2. Agrees to the terms of this Agreed Final Order, acknowledges understanding of it and agrees that Owner will satisfactorily comply with the mandates of this Order in a timely manner or be subject to appropriate action by TDHCA, including the imposition of administrative penalties as set forth herein;

3. Waives its right to any and all formal hearings, rights of appeal, and any right to judicial review of this Order and agrees that this Agreed Final Order shall, upon execution by the parties, become a final and non-appealable order of TDHCA. Owner reserves its right, however, to any and all formal hearings, rights of appeal and any right to judicial review in the event that the TDHCA undertakes any further action with regard to the subject matter of this Order after December 31, 2010;

4. Owner has, through all necessary corporate and other action, fully authorized the execution, delivery, and performance of this Order, has duly authorized the person or persons executing this Order to so act on Owner's behalf, and Owner's execution, delivery and performance on this Order will not violate or contravene any law, rule, regulation, agreement or other requirement to which Owner is subject or cause Owner to be in breach thereof;

5. This Agreed Final Order shall be governed by the laws of the State of Texas; and

6. Venue for any suit or other action to enforce this Agreed Final Order lies exclusively in the District Court of Travis County, Texas.

**(Signature pages to follow)**

I, OMRI SHAFRAN, MANAGER OF OPTIMUM ARBOR OAKS, LLC, A TEXAS LIMITED LIABILITY COMPANY, HAVE READ AND UNDERSTAND THE FOREGOING AGREED FINAL ORDER. I UNDERSTAND THAT BY SIGNING THIS AGREED FINAL ORDER, I WAIVE CERTAIN RIGHTS. I SIGN IT VOLUNTARILY, WILLINGLY, AND KNOWINGLY. I UNDERSTAND THIS AGREED FINAL ORDER CONTAINS THE ENTIRE AGREEMENT AND THERE IS NO OTHER AGREEMENT OF ANY KIND, VERBAL, WRITTEN OR OTHERWISE.

Dated this 30 day of August, 2010

**OWNER:**

**OPTIMUM ARBOR OAKS, LLC,**
a Texas limited liability company

By: ____________________
Name: Omri Shafran
Title: Manager

**THE STATE OF TEXAS §**
**§**
**COUNTY OF __________ §**

Before me, the undersigned notary public, on this 30 day of August, 2010, personally appeared Omri Shafran, manager of Optimum Arbor Oaks, LLC, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

GILA NATAN
Notary Public, State of Texas
My Commission Expires
October 14, 2012

____________________
Notary Public, State of Texas

Approved by a majority of the Governing Board of TDHCA on ___________________, 2010.

By: ______________________________
Name: Kent Conine
Title: Chair of the Board of TDHCA

By: ______________________________
Name: Brooke Boston
Title: Secretary of the Board of TDHCA

**Exhibit A:**

UPCS Violations – 2008

# The Inspection Group, Inc.

## List of Deficiencies Found

**Report Date:** Jun 20, 2008

| | Def. Found L1 | L2 | L3 | Deficiency Title | Notes |
|---|---|---|---|---|---|
| **CMTS 1037 - Arbor Oaks** | | | | | |
| **3500 W Little York Houston, Tx 77091** | | | | | |
| Fencing and Gates | | | X | Damaged/Falling/Leaning | falling in several locations |
| | | | X | Holes | large holes in north fence |
| | | | X | Missing Sections | sections missing |
| Grounds | | X | | Erosion/Rutting Areas | erosion in several areas |
| | | | X | Overgrown/Penetrating Vegetation | trees touching roof several buildings causing visable damage |
| | | X | | Ponding/Site Drainage | several areas ponding |
| Health & Safety | | | X | Hazards - Sharp Edges | broken glass on grounds |
| | | | X | Hazards - Tripping | multiple locations - offsets over 3/4 cause trip hazards |
| Mailbox/Signs | | | X | Mailbox Missing/Damaged | unit mail boxes damaged |
| Market Appeal | | X | | Graffiti | 3 locations |
| | | X | | Litter | excessive litter on grounds |
| Parking/Drives | | X | | Cracks | large cracks in parking |
| | X | | | Potholes/Loose Material | pot holes and loose material in parking |
| | X | | | Settlement/Heaving | settlement and heaving in parking areas |
| Storm Drainage | | X | | Damaged/Obstructed | drainage obstructed |
| Walkways/Steps | | X | | Cracks/Settlement/Heaving | settlement and heaving over 50% of walkways |
| | | X | | Spalling | spalling on walkways over 30% |
| **Building: 1** | | | | | |
| **Building Exterior** | | | | | |
| Walls | | X | | Missing Pieces/Holes/Spalling | dry rot on siding |
| | | X | | Missing/Damaged Caulking/Mortar | mortor from construction joint missing |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| Sanitary System | | | X | Missing Drain/Cleanout/Manhole Covers | clean out cover missing |
| **Unit: 103 no keys - sub 101** | | | | | |
| Ceiling | X | | | Water Stains/Water Damage/Mold/Mildew | bedroom water stains |
| Doors | | | X | Deteriorated/Missing Seals (Entry Only) | door seal has failed |
| Health & Safety | | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | furniture blocks bedroom egress |
| Smoke Detector | | | X | Missing/Inoperable | inoperable |
| **Building: 10** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| | | X | | Missing/Damaged Shingles | shingles damaged |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| Sanitary System | | | X | Missing Drain/Cleanout/Manhole Covers | clean out cover missing |
| **Unit: 1002** | | | | | |
| Bathroom | | | X | Plumbing - Clogged Drains | sink drain completely clogged |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Unit: 1005** | | | | | |
| Electrical | | | X | Missing Breakers/Fuses | open breaker ports |
| Health & Safety | | | X | Infestation - Insects | sever roach infestation |
| Kitchen | X | | | Plumbing - Leaking Faucet/Pipes | faucet leaks |
| Smoke Detector | | | X | Missing/Inoperable | missing |
| **Building: 11** | | | | | |
| **Building Systems** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Domestic Water | | | X | Leaking Central Water Supply | bldg supply line leaks |
| Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| **Unit: 1105 - vacant** | | | | | |
| Bathroom | X | | | Cabinets - Damaged/Missing | missing |
| | | | X | Water Closet - Damaged/Clogged/Missing | toilet missing |
| Doors | | | X | Damaged Frames/Threshold/Lintels/Trim | enry door frame damaged |
| | | X | | Missing Door | bedroom doors missing |
| Floors | | | X | Missing Flooring | all flooring missing |
| Kitchen | | | X | Cabinets - Missing/Damaged | missing |
| | | X | | Dishwasher/Garbage Disposal - Damaged/Inoperable | missing |
| | | | X | Range Hoods/Exhaust Fans -Excessive Grease/Inoperable | missing |
| | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| Walls | | X | | Damaged | holes in walls |
| **Building: 12** | | | | | |
| **Unit: 1209** | | | | | |
| Electrical | | | X | Missing Breakers/Fuses | open breaker ports |
| Kitchen | | X | | Dishwasher/Garbage Disposal - Damaged/Inoperable | disposal inoperable |
| | X | | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Unit: 1211** | | | | | |
| Electrical | | | X | GFI Inoperable | bathroom GFCI inoperable |
| Kitchen | | X | | Dishwasher/Garbage Disposal - Damaged/Inoperable | dishwasher inoperable |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Unit: 1213** | | | | | |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Unit: 1216 no keys - sub 1205** | | | | | |
| Doors | | X | | Damaged Hardware/Locks | bedroom door hardware damaged |
| Health & Safety | | | X | Hazards - Tripping | living rm trip hazards |
| | | | X | Infestation - Insects | kitchen - live roaches |
| Kitchen | | X | | Cabinets - Missing/Damaged | doors damaged |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Building: 13** | | | | | |
| **Building Exterior** | | | | | |
| Walls | | X | | Missing/Damaged Caulking/Mortar | construction joint mortor missing |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| **Unit: 1310 no keys - sub 1306** | | | | | |
| Floors | | X | | Missing Flooring | sub floor damaged - dining room |
| Health & Safety | | | X | Hazards - Tripping | living room cable rip hazards |
| | | | X | Emergency Fire Exits - Emergency/Fire Exits, Blocked/Unusable | bedroom - furniture blocks egress |
| **Building: 14** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | down spouts damaged |
| | | X | | Missing/Damaged Shingles | damaged |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box cover missing |
| **Unit: 1401 - vacant** | | | | | |
| Ceiling | | X | | Water Stains/Water Damage/Mold/Mildew | mildew - hallway |
| Doors | X | | | Missing Door | bedroom door missing |
| Health & Safety | | | X | Air Quality - Mold and/or Mildew Observed | mildew observed |
| | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |

| | | | | | |
|---|---|---|---|---|---|
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| Walls | | | X | Water Stains/Water Damage/Mold/Mildew | sever mildew on walls |
| Windows | | | X | Cracked/Broken/Missing Panes | bedroom glass broken |
| **Unit: 1403** | | | | | |
| Ceiling | | X | | Water Stains/Water Damage/Mold/Mildew | hallway water stained |
| **Unit: 1405** | | | | | |
| Kitchen | X | | | Plumbing - Leaking Faucet/Pipes | faucet leaks |
| | X | | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| Windows | X | | | Cracked/Broken/Missing Panes | bedroom - cracked |
| **Unit: 1408 - vacant** | | | | | |
| Ceiling | | X | | Water Stains/Water Damage/Mold/Mildew | bedroom - water stains |
| Doors | X | | | Missing Door | laundry door missing |
| Kitchen | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| **Building: 15** | | | | | |
| **Building Exterior** | | | | | |
| Foundations | | | X | Spalling/Exposed Rebar | east side of bldg rebar exposed |
| Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| | | X | | Missing/Damaged Shingles | damaged |
| Walls | X | | | Stained/Peeling/Needs Paint | peeling paint |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box cover missng |
| **Halls/Corridors/Stairs** | | | | | |
| Stairs | | | X | Broken/Missing Hand Railing | hand rail loose |
| **Unit: 1502** | | | | | |
| Doors | | | X | Damaged Surface (Holes/Paint/Rusting) | patio door broken |
| Electrical | | | X | Missing Breakers/Fuses | open breaker ports |
| Health & Safety | | | X | Hazards - Sharp Edges | bronen glass patio door leaves sharps hazards |
| Walls | | X | | Damaged | holes in walls |
| **Building: 16** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | X | | | Missing/Damaged Components from Downspout/Gutter | splash blocks missing |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box cover missing |
| Sanitary System | | | X | Missing Drain/Cleanout/Manhole Covers | clean out covet missing |
| **Unit: 1607 - vacant** | | | | | |
| Doors | | | X | Damaged Surface (Holes/Paint/Rusting) | holes in unit entry door |
| Electrical | | | X | Missing Covers | breaker box cover missing |
| Floors | | | X | Missing Flooring | all missing |
| Health & Safety | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| Windows | | | X | Cracked/Broken/Missing Panes | bedroom glass broken |
| **Building: 17** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | | | X | Damaged Soffits/Fascia | fascia damaged |
| | | X | | Missing/Damaged Components from Downspout/Gutter | downspout damaged |
| Walls | | X | | Missing Pieces/Holes/Spalling | siding dry rot |
| | X | | | Stained/Peeling/Needs Paint | peeling paint |
| **Building Systems** | | | | | |
| Domestic Water | | | X | Rust/Corrosion on Heater Chimney | rust on boiler flue |
| Electrical System | | | X | Missing Breakers/Fuses | breaker box inner cover missing |
| Fire Protection | | | X | Missing/Damaged/Expired Extinguishers | tags expired |
| **Closet/Utility/Mechanical** | | | | | |
| Ceiling | | X | | Holes/Missing Tiles/Panels/Cracks | holes in ceiling |
| | | X | | Water Stains/Water Damage/Mold/Mildew | |
| Walls | | X | | Damaged | holes in walls |
| **Halls/Corridors/Stairs** | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Stairs | | | X | Broken/Missing Hand Railing | north west hand rail missing |
| Laundry Room | | | | | | |
| | Windows | | | X | Cracked/Broken/Missing Panes | window glass missing |
| Patio/Porch/Balcony | | | | | | |
| | Porch/Balcony | | | X | Baluster/Side Railing Damaged | south east patio rail damaged |
| Unit: 1714 - vacant | | | | | | |
| | Ceiling | | | X | Water Stains/Water Damage/Mold/Mildew | mildew |
| | Health & Safety | | | X | Air Quality - Mold and/or Mildew Observed | sever mildew - walls/ceiling |
| | | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazard |
| | Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Walls | | | X | Water Stains/Water Damage/Mold/Mildew | mildew |
| | Windows | | | X | Cracked/Broken/Missing Panes | bedroom glass broken |
| Building: 18 | | | | | | |
| Building Exterior | | | | | | |
| | Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| | | | X | | Missing/Damaged Shingles | shingles damaged |
| | Walls | | | X | Missing Pieces/Holes/Spalling | holes in siding |
| | | X | | | Stained/Peeling/Needs Paint | peeling paint |
| Unit: 1802 - vacant | | | | | | |
| | Doors | | | X | Damaged Surface (Holes/Paint/Rusting) | rear patio door glass broken |
| | Health & Safety | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| | Outlets/Switches | X | | | Missing/Broken Cover Plates | living room plug cover cracked |
| Unit: 1803 - vacant | | | | | | |
| | Health & Safety | | | X | Hazards - Sharp Edges | broken glass leaves sharp hazards |
| | Kitchen | | X | | Cabinets - Missing/Damaged | water damaged |
| | | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Windows | | | X | Cracked/Broken/Missing Panes | bedroom glass broken |
| Unit: 1804 | | | | | | |
| | Floors | | X | | Rot/Deteriorated Subfloor | kitchen |
| | Health & Safety | | | X | Infestation - Insects | kitchen - live roaches |
| Unit: 1805 - vacant | | | | | | |
| | Floors | | | X | Missing Flooring | all missing |
| | Kitchen | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Walls | | X | | Damaged | holes in walls |
| Unit: 1809 - vacant | | | | | | |
| | Floors | | X | | Missing Flooring | bedroom carpet missing |
| | Health & Safety | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| | Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Windows | | | X | Cracked/Broken/Missing Panes | bedroom windowbroken |
| Unit: 1816 bad dog - sub 1814 | | | | | | |
| | Kitchen | | X | | Cabinets - Missing/Damaged | cabinets damaged |
| | Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| Building: 19 | | | | | | |
| Building Exterior | | | | | | |
| | Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| | Walls | | X | | Missing Pieces/Holes/Spalling | dry rot on siding |
| | | X | | | Stained/Peeling/Needs Paint | needs paint |
| Unit: 1901 | | | | | | |
| | Ceiling | | X | | Needs Paint | 2nd bedroom |
| | Doors | | | X | Damaged Frames/Threshold/Lintels/Trim | entry door frame damaged |
| | Health & Safety | | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| | | | | X | Hazards - Tripping | living room cable trip hazards |
| | | | | X | Infestation - Insects | kitchen - live roaches |
| | Outlets/Switches | | | X | Missing/Broken Cover Plates | living room cover plate missing |
| | Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Windows | | | X | Cracked/Broken/Missing Panes | 2nd bedroom window broken |
| Unit: 1905 - vacant | | | | | | |
| | Bathroom | | | X | Water Closet - Damaged/Clogged/Missing | missing toilet |
| | Health & Safety | | | X | Air Quality - Mold and/or Mildew Observed | mildew on walls |
| | Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Walls | | X | | Damaged | holes in walls |
| | | | X | | Water Stains/Water Damage/Mold/Mildew | mildew in bathroom |
| | Windows | X | | | Cracked/Broken/Missing Panes | living rm glass cracked |
| Building: 2 | | | | | | |
| Building Exterior | | | | | | |
| | Roofs | X | | | Damaged Soffits/Fascia | fascia damaged |
| | Walls | | | X | Missing Pieces/Holes/Spalling | large hole in wall |
| Unit: 209 | | | | | | |
| | Bathroom | X | | | Lavatory Sink - Damaged/Missing | sink discolored |
| | Health & Safety | | | X | Infestation - Insects | kitchen - live roaches |
| Building: 20 | | | | | | |
| Building Exterior | | | | | | |
| | Roofs | X | | | Damaged Soffits/Fascia | soffit damaged |
| | | | X | | Missing/Damaged Components from Downspout/Gutter | down spout damaged |
| | Walls | | X | | Missing Pieces/Holes/Spalling | dry rot on siding |
| Building Systems | | | | | | |
| | Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| | Sanitary System | | | X | Broken/Leaking/Clogged Pipes or Drains | sewer line broken |
| Unit: 2001 | | | | | | |
| | Ceiling | | X | | Water Stains/Water Damage/Mold/Mildew | living room water stained |
| | Health & Safety | | | X | Electrical Hazards - Exposed Wires/Open Panels | 2nd bedroom plug cover missing |
| | Outlets/Switches | | | X | Missing/Broken Cover Plates | 2nd bedroom wall plug cover missing |
| Unit: 2006 | | | | | | |
| | Electrical | | | X | GFI Inoperable | bathroom |
| | Floors | | X | | Rot/Deteriorated Subfloor | living room |
| | Kitchen | X | | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| | | X | | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| | Smoke Detector | | | X | Missing/Inoperable | missing |
| Unit: 2008 | | | | | | |
| | Doors | | | X | Damaged Hardware/Locks | bathroom door hardware missing |
| | Kitchen | X | | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| | | X | | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| | Smoke Detector | | | X | Missing/Inoperable | missing |
| Building: 21 | | | | | | |
| Building Exterior | | | | | | |
| | Foundations | | | X | Spalling/Exposed Rebar | west side exposed rebar |
| | Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| | | X | | | Missing/Damaged Shingles | shingles damaged |
| Building Systems | | | | | | |
| | Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| Unit: 2109 | | | | | | |
| | Doors | | | X | Damaged Surface (Holes/Paint/Rusting) | hole in bedroom door |
| | Electrical | | | X | Missing Breakers/Fuses | open breaker ports |
| Building: 22 | | | | | | |
| Building Exterior | | | | | | |
| | Walls | X | | | Stained/Peeling/Needs Paint | peeling paint |
| Building Systems | | | | | | |
| | Electrical System | | | X | Missing Covers | breaker box inner cover missing |

| | | | | | |
|---|---|---|---|---|---|
| **Unit: 2207 (sub for no 2220)** | | | | | |
| Electrical | | | X | Missing Breakers/Fuses | open breaker ports |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| Walls | X | | | Needs Paint | bath walls |
| **Unit: 2208 - vacant no keys - sub 2205** | | | | | |
| Bathroom | X | | | Plumbing - Leaking Faucet/Pipes | sink drain lines leak |
| Ceiling | X | | | Needs Paint | bath ceiling needs paint |
| Laundry Area | | | X | Dryer Vent Missing/Inoperable | dryer vent hose missing |
| Outlets/Switches | | | X | Missing/Broken Cover Plates | wall plug cover plate missing |
| Smoke Detector | | | X | Missing/Inoperable | inoperable |
| **Building: 23** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | damaged |
| Walls | | X | | Missing Pieces/Holes/Spalling | dry rot on siding |
| **Building Systems** | | | | | |
| Electrical System | | | X | Missing Covers | breaker box inner cover missing |
| **Unit: 2301** | | | | | |
| Ceiling | | | X | Holes/Missing Tiles/Panels | holes in ceiling |
| | | | X | Water Stains/Water Damage/Mold/Mildew | mildew on ceiling |
| Health & Safety | | | X | Air Quality - Mold and/or Mildew Observed | mildew on walls and ceiling |
| Walls | | | X | Damaged | holes in walls |
| | | | X | Water Stains/Water Damage/Mold/Mildew | mildew on walls |
| **Unit: 2303** | | | | | |
| Health & Safety | | | X | Infestation - Insects | kitchen roaches |
| **Unit: 2309** | | | | | |
| Kitchen | | X | | Dishwasher/Garbage Disposal - Damaged/Inoperable | disposal inoperable |
| | X | | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| | | X | | Range/Stove - Missing/Damaged/Inoperable | 1 stove burner missing |
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |
| **Unit: 2311 occupant refused - sub 2307** | | | | | |
| Kitchen | X | | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| Outlets/Switches | X | | | Missing/Broken Cover Plates | kitchen - light switch cover cracked |
| **Unit: 2313** | | | | | |
| Floors | | | X | Missing Flooring | all flooring missing |
| Kitchen | | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| Walls | | | X | Damaged | holes in walls |
| **Unit: 2314** | | | | | |
| HVAC System | | | X | Inoperable | system inoperable - does no cool |
| **Building: 24** | | | | | |
| **Building Exterior** | | | | | |
| Roofs | | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| Walls | X | | | Stained/Peeling/Needs Paint | peeling paint |
| **Unit: 2403 - vacant** | | | | | |
| Health & Safety | | | X | Infestation - Insects | |
| | | | X | Infestation - Rats/Mice/Vermin | dead rats in unit |
| Kitchen | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| **Unit: 2407 - vacant no keys - sub 2404** | | | | | |
| Doors | X | | | Missing Door | bedroom door missing |
| Smoke Detector | | | X | Missing/Inoperable | inoperable - fixed on site |

**Building: 3**

**Building Exterior**

| | | | | | |
|---|---|---|---|---|---|
| | Roofs | X | | Missing/Damaged Components from Downspout/Gutter | down spouts damaged |
| Building Systems | | | | | |
| | Domestic Water | | X | Leaking Central Water Supply | hose bib leaking |
| Unit: 309 | | | | | |
| | Health & Safety | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | bedroom furniture blocks egress |
| | Kitchen | X | | Dishwasher/Garbage Disposal - Damaged/Inoperable | dishwasher inoperable |
| Unit: 310 - vacant | | | | | |
| | Ceiling | X | | Water Stains/Water Damage/Mold/Mildew | dining room water stain |
| | Kitchen | | X | Range/Stove - Missing/Damaged/Inoperable | stove missing |
| Unit: 311 | | | | | |
| | Bathroom | | X | Lavatory Sink - Damaged/Missing | sink faucet broken |
| | Smoke Detector | | X | Missing/Inoperable | inoperable - fixed on site |
| | Windows | X | | Cracked/Broken/Missing Panes | bedroom glass cracked |
| Unit: 312 no keys - sub 314 | | | | | |
| | Health & Safety | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | furniture blocks bedroom egress |
| | Kitchen | | X | Range/Stove - Missing/Damaged/Inoperable | stove inoperable |
| | Smoke Detector | | X | Missing/Inoperable | missing - fixed on site |
| Building: 4 | | | | | |
| Building Exterior | | | | | |
| | Roofs | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| Building Systems | | | | | |
| | Domestic Water | | X | Leaking Central Water Supply | boiler tank leaks |
| | | | X | Missing Pressure Relief Valve | TPV not extended to within 18 inches of floor |
| | Fire Protection | | X | Missing/Damaged/Expired Extinguishers | extingusher tags expired |
| Closet/Utility/Mechanical | | | | | |
| | Ceiling | X | | Holes/Missing Tiles/Panels/Cracks | |
| | | X | | Needs Paint | |
| Halls/Corridors/Stairs | | | | | |
| | Stairs | | X | Broken/Damaged/Missing Steps | northwest stairway tread broken |
| Laundry Room | | | | | |
| | Doors | | X | Missing Door | laundry door missing |
| | Outlets/Switches/Cover Plates | X | | Missing or Broken | wall plug cover plate cracked |
| | Smoke Detector | | X | Missing/Inoperable | inoperable - fixed on site |
| | Windows | | X | Cracked/Broken/Missing Panes | glass missing |
| | | X | | Damaged Window Sill | sill damaged |
| Storage | | | | | |
| | Outlets/Switches/Cover Plates | | X | Missing or Broken | wall plug cover missing |
| Unit: 407 - vacant | | | | | |
| | Doors | X | | Missing Door | bedroom door missing |
| | Electrical | | X | Missing Breakers/Fuses | breaker box inner cover missing |
| | Health & Safety | | X | Hazards - Sharp Edges | broken window glass leave sharps hazards |
| | Kitchen | | X | Range/Stove - Missing/Damaged/Inoperable | missing |
| | | | X | Refrigerator-Missing/Damaged/Inoperable | missing |
| | Walls | | X | Damaged | hole in wall |
| | Windows | | X | Cracked/Broken/Missing Panes | 1st bdrm glass broken |
| Unit: 410 manager refused to enter - sub 409 | | | | | |
| | Ceiling | X | | Holes/Missing Tiles/Panels | hole in living ceiling |
| | Electrical | | X | Missing Breakers/Fuses | open breaker ports |
| | Smoke Detector | | X | Missing/Inoperable | missing - fixed on site |
| Unit: 412 | | | | | |
| | Doors | | X | Damaged Surface (Holes/Paint/Rusting) | storage room door broken and seperating |
| | Electrical | | X | Missing Breakers/Fuses | open breaker ports |
| | Kitchen | X | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| | Smoke Detector | | X | Missing/Inoperable | inoperable - fixed on site |
| Building: 5 | | | | | |
| Building Exterior | | | | | |

| | | | | |
|---|---|---|---|---|
| Roofs | X | | Missing/Damaged Components from Downspout/Gutter | down spouts damaged |
| Walls | X | | Missing/Damaged Caulking/Mortar | construction joint mortor missing |

**Building Systems**

| | | | | |
|---|---|---|---|---|
| Electrical System | | X | Missing Covers | breaker box inner cover missing |

**Unit: 502 bad dog - sub 503**

| | | | | |
|---|---|---|---|---|
| HVAC System | | X | Inoperable | system inoperable |
| Kitchen | X | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |

**Unit: 504 no keys - sub 501**

| | | | | |
|---|---|---|---|---|
| Doors | | X | Deteriorated/Missing Seals (Entry Only) | door seal has failed |
| Electrical | | X | Missing Breakers/Fuses | open breaker ports |
| Health & Safety | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | bedroom furniture blocks egress |
| Smoke Detector | | X | Missing/Inoperable | missing - fixed on site |

**Building: 6**
**Building Systems**

| | | | | |
|---|---|---|---|---|
| Electrical System | | X | Missing Covers | breaker box inner cover missing |

**Unit: 603 no keys - sub 611**

| | | | | |
|---|---|---|---|---|
| Bathroom | X | | Lavatory Sink - Damaged/Missing | sink damaged |
| Electrical | | X | Missing Breakers/Fuses | open breaker ports |
| Health & Safety | | X | Hazards - Sharp Edges | broken glass leaves sharps hazards |
| Kitchen | X | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| Smoke Detector | | X | Missing/Inoperable | inoperable |
| Windows | | X | Cracked/Broken/Missing Panes | bedroom window glass broken |

**Unit: 606**

| | | | | |
|---|---|---|---|---|
| Bathroom | X | | Plumbing - Leaking Faucet/Pipes | sinkfaucet leaks |
| Electrical | | X | GFI Inoperable | bathroom - GFCI inoperable |
| | | X | Missing Breakers/Fuses | open breaker ports |
| Kitchen | X | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| Smoke Detector | | X | Missing/Inoperable | missing |

**Unit: 610 refused - sub 612**

| | | | | |
|---|---|---|---|---|
| Ceiling | X | | Needs Paint | dining room ceiling peeling paint |
| Health & Safety | | X | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | bedroom - furniture blocks egress |
| Smoke Detector | | X | Missing/Inoperable | inoperable - fixed on site |

**Building: 7**
**Building Exterior**

| | | | | |
|---|---|---|---|---|
| Roofs | X | | Missing/Damaged Components from Downspout/Gutter | down spouts damaged |

**Unit: 701 - vacant no keys - sub 704**

| | | | | |
|---|---|---|---|---|
| Bathroom | X | | Plumbing - Leaking Faucet/Pipes | sink faucet leaks |
| Doors | | X | Damaged Surface (Holes/Paint/Rusting) | hole in bedroom door |
| Health & Safety | | X | Hazards - Tripping | hallway cable trip hazards |
| Kitchen | X | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |

**Building: 8**
**Building Exterior**

| | | | | |
|---|---|---|---|---|
| Lighting | X | | Broken Fixtures/Bulbs | light fixturebroken |
| Roofs | X | | Missing/Damaged Components from Downspout/Gutter | gutters damaged |

**Building Systems**

| | | | | |
|---|---|---|---|---|
| Sanitary System | | X | Missing Drain/Cleanout/Manhole Covers | sewer clean out cover missing |

**Unit: 809 - vacant no keys - sub807**

| | | | | |
|---|---|---|---|---|
| Doors | X | | Damaged Hardware/Locks | 2nd bedroom door frame broken |
| | | X | Damaged Surface (Holes/Paint/Rusting) | bathroom door broken |
| Electrical | | X | GFI Inoperable | bathroom GFCI inoperable |
| | | X | Missing Breakers/Fuses | open breaker ports |
| Health & Safety | | X | Infestation - Insects | kitchen roaches |
| Kitchen | X | | Refrigerator-Missing/Damaged/Inoperable | gasket torn |
| Outlets/Switches | X | | Missing/Broken Cover Plates | dining room switch plate cracked |

| | | | | |
|---|---|---|---|---|
| | Smoke Detector | X | Missing/Inoperable | inoperable |
| | Walls X | | Damaged | holes in walls |
| **Building: 9** | | | | |
| **Building Exterior** | | | | |
| | Roofs | X | Damaged Soffits/Fascia | fascia damaged |
| | | X | Missing/Damaged Components from Downspout/Gutter | gutters damaged |
| **Building Systems** | | | | |
| | Electrical System | X | Missing Covers | breaker box cover missing |
| **Building: Maintance/Storage** | | | | |
| **Building Exterior** | | | | |
| | Roofs | X | Missing/Damaged Components from Downspout/Gutter | down spouts damaged |
| **Pools and Related Structures** | | | | |
| | Pools | X | Not Operational | not operational |
| **Building: Office** | | | | |
| **Building Systems** | | | | |
| | Fire Protection | X | Missing/Damaged/Expired Extinguishers | tags expire |
| **Office** | | | | |
| | Smoke Detector | X | Missing/Inoperable | hallway - missing |
| **Pools and Related Structures** | | | | |
| | Pools | X | Not Operational | pool closed |

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**Exhibit B:**

Issues of Noncompliance Report dated 8/11/2010

# *Issues of Noncompliance*

**Arbor Oaks** | **Score** 231
**Houston**
**ID** 92027 | **Total Units** 298 | **Last Audit Date** 6/10/2008

| | *BIN # With NC* | *NC Date* | *Corrected Date* | *Issue Corrected?* | *Date 8823 Executed* | *Event Score* |
|---|---|---|---|---|---|---|
| *Household income above income limit upon initial occupancy.* | | | | | | |
| | 92-00290 | 7/1/1994 | 8/22/2009 | Yes | 8/3/1999 | 1 |
| | 92-00290 | 3/1/2001 | 5/10/2002 | Yes | 10/16/2002 | 0 |
| | 92-00290 | 4/28/2004 | 4/16/2007 | Yes | 8/1/2005 | 0 |
| | 92-00291 | 5/1/2006 | 1/26/2007 | Yes | 9/15/2007 | 0 |
| | 92-00291 | 9/11/2001 | 6/1/2002 | Yes | 10/16/2002 | 0 |
| | 92-00292 | 3/31/2000 | 8/25/2006 | Yes | 10/16/2002 | 0 |
| | 92-00293 | 12/28/2000 | 12/4/2009 | Yes | 10/16/2002 | 1 |
| | 92-00293 | 1/17/2006 | 12/4/2009 | Yes | 9/15/2007 | 1 |
| | 92-00294 | 2/22/1996 | 8/2/2009 | Yes | 8/3/1999 | 0 |
| | 92-00297 | 4/1/2007 | | No | 10/20/2009 | 5 |
| | 92-00297 | 7/1/1994 | 8/20/2009 | Yes | 8/3/1999 | 1 |
| | 92-00296 | 7/1/2006 | 10/1/2009 | Yes | 10/20/2009 | 1 |
| | 92-00296 | 1/8/1998 | 3/11/1999 | Yes | 8/3/1999 | 0 |
| | 92-00295 | 6/10/2008 | 2/5/2010 | Yes | 10/20/2009 | 1 |
| | 92-00295 | 5/2/2001 | | No | 10/16/2002 | 3 |
| | 92-00295 | 1/19/1999 | | No | 8/3/1999 | 3 |
| | 92-00294 | 1/25/2008 | 2/13/2010 | Yes | 10/20/2009 | 1 |
| | 92-00294 | 12/15/2004 | 3/17/2007 | Yes | 8/1/2005 | 0 |
| | 92-00301 | 9/15/2007 | 12/21/2009 | Yes | 10/20/2009 | 1 |
| | 92-00301 | 7/1/2005 | 1/23/2010 | Yes | 9/15/2007 | 1 |

## Issues of Noncompliance

| | | | |
|---|---|---|---|
| **Arbor Oaks** | | **Score** | 231 |
| **Houston** | | | |
| **ID** 92027 | **Total Units** 298 | **Last Audit Date** | 6/10/2008 |

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00301 | 7/20/2001 | 6/19/2002 | Yes | 10/16/2002 | 0 |
| 92-00301 | 3/28/1998 | 4/2/2007 | Yes | 8/3/1999 | 0 |
| 92-00300 | 6/10/2008 | 6/10/2010 | Yes | 10/20/2009 | 1 |
| 92-00300 | 7/20/2005 | | No | 9/15/2007 | 5 |
| 92-00300 | 5/16/1997 | 7/20/2009 | Yes | 8/3/1999 | 0 |
| 92-00299 | 1/15/2007 | 2/22/2010 | Yes | 10/20/2009 | 1 |
| 92-00299 | 6/1/2004 | | No | 8/1/2005 | 3 |
| 92-00299 | 6/22/2001 | 6/22/2009 | Yes | 10/16/2002 | 0 |
| 92-00298 | 8/13/2007 | 9/1/2009 | Yes | 10/20/2009 | 1 |
| 92-00298 | 5/12/2005 | 3/30/2010 | Yes | 9/15/2007 | 1 |
| 92-00298 | 11/5/2004 | 1/20/2010 | Yes | 8/1/2005 | 1 |
| 92-00298 | 6/18/2001 | 11/23/2001 | Yes | 10/16/2002 | 0 |
| 92-00307 | 10/2/2007 | 1/22/2010 | Yes | 10/20/2009 | 1 |
| 92-00307 | 9/10/2004 | 4/28/2005 | Yes | 8/1/2005 | 0 |
| 92-00307 | 2/15/2000 | 10/25/2002 | Yes | 10/16/2002 | 0 |
| 92-00307 | 7/30/1996 | 10/25/2002 | Yes | 8/3/1999 | 0 |
| 92-00306 | 6/10/2008 | | No | 10/20/2009 | 5 |
| 92-00306 | 4/21/2005 | 6/10/2009 | Yes | 9/15/2007 | 0 |
| 92-00305 | 6/1/2008 | 8/7/2009 | Yes | 2/23/2010 | 0 |
| 92-00305 | 5/27/2000 | 4/20/2006 | Yes | 10/16/2002 | 0 |
| 92-00305 | 2/15/1999 | 3/3/2005 | No | 8/3/1999 | 0 |

# *Issues of Noncompliance*

**Arbor Oaks** | **Score** 231
**Houston**
**ID** 92027 | **Total Units** 298 | **Last Audit Date** 6/10/2008

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00311 | 4/1/2007 | 8/31/2009 | Yes | 10/20/2009 | 1 |
| 92-00311 | 6/12/2004 | 4/1/2007 | Yes | 8/1/2005 | 0 |
| 92-00311 | 7/14/2001 | 2/1/2007 | Yes | 10/16/2002 | 0 |
| 92-00310 | 9/28/2007 | 12/1/2009 | Yes | 10/20/2009 | 1 |
| 92-00310 | 9/3/2004 | 4/16/2005 | Yes | 8/1/2005 | 0 |
| 92-00310 | 2/18/2000 | 12/1/2001 | Yes | 10/16/2002 | 0 |
| 92-00309 | 6/1/2004 | 1/7/2009 | Yes | 8/1/2005 | 0 |
| 92-00309 | 8/20/2001 | 10/3/2002 | Yes | 10/16/2002 | 0 |
| 92-00309 | 3/12/1998 | 3/5/2009 | Yes | 8/3/1999 | 0 |
| 92-00308 | 12/7/2005 | 8/19/2006 | Yes | 10/20/2009 | 0 |
| 92-00308 | 6/5/2003 | 9/29/2009 | Yes | 8/1/2005 | 1 |
| 92-00308 | 2/11/2000 | 10/29/2005 | Yes | 10/16/2002 | 0 |
| 92-00308 | 4/4/1996 | 5/26/2010 | Yes | 8/3/1999 | 1 |
| All Bins-92027 | 9/21/1995 | | No | 11/14/1995 | 0 |
| 92-00313 | 7/1/2006 | 8/22/2007 | Yes | 9/15/2007 | 0 |
| 92-00313 | 6/29/2001 | 12/26/2002 | Yes | 10/16/2002 | 0 |
| 92-00313 | 7/1/1994 | 9/9/2009 | Yes | 8/3/1999 | 1 |
| 92-00312 | 12/17/2005 | | No | 9/15/2007 | 5 |
| 92-00312 | 10/13/2004 | | No | 8/1/2005 | 3 |
| 92-00312 | 1/23/1999 | 12/7/2009 | Yes | 10/16/2002 | 1 |
| 92-00312 | 7/1/1994 | | No | 8/3/1999 | 3 |

# *Issues of Noncompliance*

**Arbor Oaks** **Score** 231
**Houston**
**ID** 92027 **Total Units** 298 **Last Audit Date** 6/10/2008

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00304 | 2/12/2003 | 9/1/2009 | Yes | 8/1/2005 | 1 |
| 92-00303 | 6/10/2008 | | No | 10/20/2009 | 5 |
| 92-00303 | 1/14/2006 | 6/5/2007 | Yes | 9/15/2007 | 0 |
| 92-00303 | 10/15/2004 | | No | 8/1/2005 | 3 |
| 92-00303 | 12/30/1997 | 2/5/2010 | Yes | 8/3/1999 | 1 |
| 92-00302 | 6/6/2007 | 8/29/2009 | Yes | 10/20/2009 | 1 |
| 92-00302 | 4/30/2004 | 1/17/2005 | Yes | 8/1/2005 | 0 |
| 92-00302 | 3/28/1996 | 3/16/2010 | Yes | 8/3/1999 | 1 |
| 92-00293 | 9/1/2007 | 9/2/2009 | Yes | 10/20/2009 | 1 |
| 92-00293 | 11/5/2003 | 8/21/2009 | Yes | 8/1/2005 | 1 |
| 92-00292 | 11/1/2006 | 2/17/2010 | Yes | 9/15/2007 | 1 |
| 92-00292 | 7/1/1994 | 8/15/2009 | Yes | 8/3/1999 | 1 |
| 92-00291 | 7/1/1994 | | No | 8/3/1999 | 3 |
| 92-00291 | 5/15/2007 | 3/30/2010 | Yes | 10/20/2009 | 1 |

# *Issues of Noncompliance*

**Arbor Oaks** **Score** 231
**Houston**
ID 92027 **Total Units** 298 **Last Audit Date** 6/10/2008

| | *BIN # With NC* | *NC Date* | *Corrected Date* | *Issue Corrected?* | *Date 8823 Executed* | *Event Score* |
|---|---|---|---|---|---|---|

*Major violations of the Uniform Physical Condition Standards or local health, safety, and building codes.*

| *BIN # With NC* | *NC Date* | *Corrected Date* | *Issue Corrected?* | *Date 8823 Executed* | *Event Score* |
|---|---|---|---|---|---|
| 92-00290 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00291 | 5/4/2005 | | No | 12/16/2005 | 30 |
| All Bins-92027 | 6/20/2008 | | No | 12/30/2008 | 30 |
| 92-00313 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00312 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00311 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00310 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00309 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00308 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00306 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00305 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00304 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00303 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00302 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00301 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00300 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00298 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00297 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00296 | 5/4/2005 | | No | 12/16/2005 | 30 |
| 92-00295 | 5/4/2005 | | No | 12/16/2005 | 30 |

## *Issues of Noncompliance*

**Arbor Oaks** **Score** 231
**Houston**
**ID** 92027 **Total Units** 298 **Last Audit Date** 6/10/2008

| | BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|---|
| | 92-00294 | 5/4/2005 | | No | 12/16/2005 | 30 |
| *Pattern of minor violations of the Uniform Physical Condition Standards or local health, safety, and building codes.* | | | | | | |
| | 92-00291 | 7/1/1994 | | Yes | 8/3/1999 | 5 |
| | All Bins-92027 | 6/20/2008 | | No | 12/30/2008 | 10 |
| | 92-00310 | 10/30/1998 | 5/8/1999 | Yes | 8/3/1999 | 0 |
| | 92-00307 | 5/4/2005 | | No | 12/16/2005 | 10 |
| | 92-00302 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| | 92-00301 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| | 92-00300 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| | 92-00299 | 5/4/2005 | | No | 12/16/2005 | 10 |
| | 92-00294 | 2/22/1996 | 7/16/1999 | Yes | 8/3/1999 | 0 |
| | 92-00297 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| | 92-00299 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| | 92-00298 | 4/6/1999 | 7/9/1999 | Yes | 8/3/1999 | 0 |
| *Owner failed to submit annual certification.* | | | | | | |
| | All Bins-92027 | 1/1/2005 | | No | 8/23/2006 | 10 |
| | All Bins-92027 | 1/1/2007 | | No | 9/30/2008 | 10 |
| | All Bins-92027 | 1/1/2008 | | No | 5/21/2009 | 10 |

# Issues of Noncompliance

**Arbor Oaks** | **Score** 231
**Houston**
**ID** 92027 | **Total Units** 298 | **Last Audit Date** 6/10/2008

| | BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|---|
| *1996 and 1997 Owner certifications resulting in HH income above the limit.* | | | | | | |
| | 92-00290 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00292 | 3/1/1997 | | No | 4/1/1997 | 0 |
| | 92-00304 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00304 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00303 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00302 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00302 | 3/1/1997 | | No | 4/1/1997 | 0 |
| | 92-00301 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00300 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00298 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00295 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00312 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00312 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00311 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00310 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00310 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00309 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00309 | 3/4/1997 | | No | 4/1/1997 | 0 |
| | 92-00308 | 3/3/1998 | | No | 4/20/1998 | 0 |
| | 92-00308 | 3/4/1997 | | No | 4/1/1997 | 0 |

## *Issues of Noncompliance*

| | | | |
|---|---|---|---|
| **Arbor Oaks** | | **Score** | 231 |
| **Houston** | | | |
| **ID** 92027 | **Total Units** 298 | **Last Audit Date** | 6/10/2008 |

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00307 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00306 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00306 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00305 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00305 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00313 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00313 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00294 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00294 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00293 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00290 | 3/3/1998 | | No | 4/20/1998 | 0 |
| 92-00291 | 3/4/1997 | | No | 4/1/1997 | 0 |
| 92-00292 | 3/3/1998 | | No | 4/20/1998 | 0 |

*Household income increased above income limit and an available unit was rented to market rate tenant.*

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00299 | 6/1/2004 | | No | 8/1/2005 | 3 |

# Issues of Noncompliance

**Arbor Oaks** | **Score** 231
**Houston**
**ID** 92027 | **Total Units** 298 | **Last Audit Date** 6/10/2008

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| *Owner failed to maintain or provide tenant income certification and documentation.* | | | | | |
| 92-00290 | 3/30/2000 | 9/21/2001 | Yes | 10/16/2002 | 0 |
| 92-00312 | 8/6/2004 | | No | 8/1/2005 | 3 |
| 92-00312 | 7/1/1994 | | No | 8/3/1999 | 3 |
| 92-00311 | 6/14/2006 | 2/10/2007 | Yes | 9/15/2007 | 0 |
| 92-00311 | 2/14/2004 | 1/1/2005 | Yes | 8/1/2005 | 0 |
| 92-00311 | 3/31/2001 | 2/15/2002 | Yes | 10/16/2002 | 0 |
| 92-00310 | 11/3/2006 | 6/29/2007 | Yes | 9/15/2007 | 0 |
| 92-00310 | 6/23/2004 | 7/20/2005 | Yes | 8/1/2005 | 0 |
| 92-00310 | 10/30/1998 | 5/8/1999 | Yes | 8/3/1999 | 0 |
| 92-00308 | 4/4/1996 | 3/30/1999 | Yes | 8/3/1999 | 0 |
| All Bins-92027 | 9/21/1995 | | No | 11/14/1995 | 0 |
| 92-00313 | 11/1/2006 | 6/6/2007 | Yes | 9/15/2007 | 0 |
| 92-00313 | 11/18/2003 | 3/17/2005 | Yes | 8/1/2005 | 0 |
| 92-00313 | 7/1/1994 | 1/29/2010 | Yes | 8/3/1999 | 1 |
| 92-00312 | 1/11/2006 | | No | 9/15/2007 | 3 |
| 92-00307 | 11/21/2006 | 1/6/2009 | Yes | 9/15/2007 | 0 |
| 92-00307 | 3/8/2004 | 11/18/2005 | Yes | 8/1/2005 | 0 |
| 92-00307 | 4/8/2001 | 8/6/2001 | Yes | 10/16/2002 | 0 |
| 92-00307 | 7/30/1996 | 8/6/2001 | Yes | 8/3/1999 | 0 |
| 92-00306 | 12/1/2003 | | No | 8/1/2005 | 3 |

# Issues of Noncompliance

**Arbor Oaks** Score 231
**Houston**
ID 92027 Total Units 298 Last Audit Date 6/10/2008

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00305 | 5/4/2004 | 3/9/2007 | Yes | 8/1/2005 | 0 |
| 92-00305 | 1/19/2001 | 9/12/2001 | Yes | 10/16/2002 | 0 |
| 92-00303 | 1/5/2001 | 2/13/2006 | Yes | 10/16/2002 | 0 |
| 92-00309 | 11/2/2006 | 12/20/2008 | Yes | 9/15/2007 | 0 |
| 92-00309 | 3/3/2004 | 4/15/2005 | Yes | 8/1/2005 | 0 |
| 92-00309 | 1/30/2001 | 9/12/2001 | Yes | 10/16/2002 | 0 |
| 92-00309 | 3/12/1998 | 3/11/1999 | Yes | 8/3/1999 | 0 |
| 92-00308 | 6/14/2006 | 6/20/2009 | Yes | 9/15/2007 | 0 |
| 92-00308 | 2/7/2004 | | No | 8/1/2005 | 3 |
| 92-00302 | 5/31/2003 | 4/8/2005 | Yes | 8/1/2005 | 0 |
| 92-00301 | 6/1/2007 | 12/21/2009 | Yes | 10/20/2009 | 1 |
| 92-00301 | 12/13/2003 | | No | 8/1/2005 | 3 |
| 92-00301 | 4/28/2001 | 9/5/2001 | Yes | 10/16/2002 | 0 |
| 92-00300 | 7/2/2006 | 6/1/2007 | Yes | 9/15/2007 | 0 |
| 92-00300 | 11/1/2003 | 10/26/2006 | Yes | 8/1/2005 | 0 |
| 92-00300 | 3/31/2000 | 10/2/2002 | Yes | 10/16/2002 | 0 |
| 92-00297 | 7/1/1994 | 3/11/1999 | Yes | 8/3/1999 | 0 |
| 92-00304 | 8/1/2006 | 3/16/2009 | Yes | 9/15/2007 | 0 |
| 92-00304 | 5/29/2004 | 2/1/2005 | Yes | 8/1/2005 | 0 |
| 92-00304 | 4/30/2001 | 9/14/2001 | Yes | 10/16/2002 | 0 |
| 92-00304 | 7/11/1994 | | No | 8/3/1999 | 3 |

# Issues of Noncompliance

**Arbor Oaks** **Score** 231
**Houston**
**ID** 92027 **Total Units** 298 **Last Audit Date** 6/10/2008

| BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|
| 92-00303 | 11/4/2006 | | No | 9/15/2007 | 3 |
| 92-00296 | 5/1/2004 | 3/16/2010 | Yes | 8/1/2005 | 1 |
| 92-00296 | 5/31/2000 | 9/11/2001 | Yes | 10/16/2002 | 0 |
| 92-00294 | 7/13/2001 | 9/8/2001 | Yes | 10/16/2002 | 0 |
| 92-00293 | 1/3/2004 | 7/15/2005 | Yes | 8/1/2005 | 0 |
| 92-00293 | 11/12/1994 | 5/11/1999 | Yes | 8/3/1999 | 0 |
| 92-00292 | 10/4/2003 | 7/15/2005 | Yes | 8/1/2005 | 0 |
| 92-00291 | 3/13/2000 | 9/12/2001 | Yes | 10/16/2002 | 0 |
| 92-00291 | 8/3/2004 | 1/26/2007 | Yes | 8/1/2005 | 0 |
| 92-00299 | 7/1/2005 | 5/7/2010 | Yes | 9/15/2007 | 1 |
| 92-00299 | 7/25/2004 | | No | 8/1/2005 | 3 |
| 92-00299 | 7/1/2001 | 9/10/2001 | Yes | 10/16/2002 | 0 |
| 92-00298 | 10/3/2003 | 9/11/2006 | Yes | 8/1/2005 | 0 |
| 92-00297 | 12/18/2003 | 6/1/2007 | Yes | 8/1/2005 | 0 |
| 92-00297 | 7/11/2000 | 9/11/2001 | Yes | 10/16/2002 | 0 |
| 92-00292 | 7/1/1994 | 4/3/1999 | Yes | 8/3/1999 | 0 |
| 92-00292 | 4/10/2001 | 2/19/2002 | Yes | 10/16/2002 | 0 |
| 92-00291 | 5/1/2006 | 1/26/2007 | Yes | 9/15/2007 | 0 |
| 92-00290 | 4/28/2004 | 8/22/2006 | Yes | 8/1/2005 | 0 |

## *Issues of Noncompliance*

**Arbor Oaks** **Score** 231
**Houston**
**ID** 92027 **Total Units** 298 **Last Audit Date** 6/10/2008

| | BIN # With NC | NC Date | Corrected Date | Issue Corrected? | Date 8823 Executed | Event Score |
|---|---|---|---|---|---|---|
| *Unit not available for rent. Unit used for non-residential purposes.* | | | | | | |
| | 92-00294 | 2/22/1996 | 1/20/2007 | Yes | 8/3/1999 | 0 |
| | 92-00295 | 1/19/1999 | | No | 8/3/1999 | 3 |
| | 92-00295 | 9/17/2001 | | No | 10/16/2002 | 3 |
| *Failure to rent to Section 8 households.* | | | | | | |
| | All Bins-92027 | 9/21/1995 | | No | 11/14/1995 | 0 |

**FINANCIAL ADMINISTRATION DIVISION**

**BOARD REPORT ITEM**
**November 10, 2010**

## <u>No Action Required</u>

Presentation of the Department's 4th Quarter Investment Report

## <u>Background</u>

- This report is in the prescribed format and detail as required by the Public Funds Investment Act. It shows in detail the types of investments, their maturity, their carrying (face amount) value and fair value at the beginning and end of the quarter.

- Overall, the portfolio carrying value decreased by $79,729,534 (See Page 1) for a total of $1,628,679,258. The $79.7 million net portfolio decrease is a result of liquidating various investments for the purpose of paying debt service. The RMRB indenture paid $47.9 million in principal and $8.0 million in interest and the Single Family indenture paid $23.6 million in principal and $411 thousand in interest during the fourth quarter.

  The portfolio consists of (See Page 4):

| | Beginning Quarter | Ending Quarter |
|---|---|---|
| **Mortgage Backed Securities (MBS)** | 70% | 71% |
| **Guaranteed Investment Contract/ Investment Agreement (GIC/IA)** | 4% | 1% |
| **Repurchase Agreements** | 8% | 9% |
| **Other (Cd's, MM's, T-Bonds)** | 18% | 19% |

The 1% MBS increase is a result of security purchases which represents the origination of loans with bond proceeds. The 3% GIC/IA Agreement decrease is a result of GIC's being liquidated for the debt service payments by the Single Family and RMRB indentures during the fourth quarter. The 1% Repurchase Agreement increase is due to interest earnings, loan repayments, and fee deposits. The 1% in Other increase is due to deposits made by developers associated with the multifamily bond program.

The portfolio activity for the quarter (See Page 5):

- $31,713,546 of MBS purchases during the quarter represent portfolio activity for new loans originated.

- The Department had a unique market opportunity and elected to sell $40,723,437 in MBS related to the 2000BCD RMRB bond issue and realized a monetary gain of $3,660,397. The bonds were optionally redeemed at par value in July 2010 with the sale proceeds.

- The maturities in MBS this quarter were $37,554,622 which represents loan payoffs. The table below shows a steady trend in new loans and loan payoffs.

| | **4th Qtr FY 09** | **1st Qtr FY 10** | **2nd Qtr FY 10** | **3rd Qtr FY 10** | **4th Qtr FY 10** | **Total** |
|---|---|---|---|---|---|---|
| Purchases | 2,583,156 | 4,606,290 | 24,410,434 | 43,198,686 | 31,713,546 | 106,512,112 |
| | | | | | | |
| Sales | | | | 11,427,978 | 40,723,437 | 52,151,415 |
| | | | | | | |
| Maturities | 28,205,792 | 31,530,340 | 99,005,620 | 59,754,364 | 37,554,622 | 256,050,738 |

- The fair value (the amount at which a financial instruments could be exchanged in a current transaction between willing parties) increased $11,633,013 (See Pages 1 and 5) increasing the difference between fair value and carrying value (the Department's acquisition cost of its financial instruments net of amortization) with fair value being more. The national average for a 30-year fixed mortgage as reported by HSH Associates Financial Publishers (a national clearinghouse of mortgage data) was 4.81% for the end of August down from 5.25% at the end of May. The spread between the market rate and our below-market rates is decreasing. There are various factors that affect the fair value of these investments but there is a correlation between the prevailing mortgage interest rates and the change in market value.

- Given the current financial environment, this change in market value is to be expected. If current mortgage rates continue to decrease, the Department can expect another increase in market value next quarter. However, the change is cyclical and is reflective of the overall change in the bond market as a whole.

- The process of valuing investments at fair value (market value) generates unrealized gains and losses. These gains or losses do not impact the overall portfolio because the Department does not typically liquidate these investments (mortgage backed securities) but holds them until maturity.

- The fact that our investments provide the appropriate cash flow to pay debt service and eventually retire the related bond debt is more important than their relative value in the bond market as a whole.

- The more relevant measures of indenture parity, projected future cash flows, and the comparison of current interest income to interest expense are not part of a public funds investment report. The next page is an additional analysis prepared by the Bond Finance group (it is not part of the PFIA report). This report shows parity (ratio of assets to liabilities) by indentures with assets greater than liabilities in a range from 99.07% to 113.28% which would indicate the Department has sufficient assets to meet its obligations.

- The interest comparison for the RMRB indenture shows interest expense greater than interest income due to negative arbitrage on RMRB 2009AB. The indenture's equity is being utilized to offset the temporary deficit in interest income. The interest comparison for the other indentures shows interest income greater than interest expense and indicates a current positive cash flow.

## Texas Department of Housing and Community Affairs

**Bond Finance Division**

**Executive Summary**

As of August 31, 2010

| | Single Family Indenture Funds | Residential Mortgage Revenue Bond Indenture Funds | Collateralized Home Mortgage Revenue Bond Indenture Funds | Multi-Family Indenture Funds | Combined Totals |
|---|---|---|---|---|---|
| ***PARITY COMPARISON:*** | | | | | |
| PARITY ASSETS | | | | | |
| Cash | $ 130,739 | $ 15,829,000 | $ - | $ 394,277 | $ 16,354,016 |
| Investments[1] | $ 74,559,934 | $ 346,298,865 | $ 434,084 | $ 91,946,268 | $ 513,239,150 |
| Mortgage Backed Securities[1] | $ 853,436,552 | $ 209,214,819 | $ 8,604,963 | $ - | $ 1,071,256,333 |
| Loans Receivable[2] | $ 9,010,607 | $ 774,997 | $ - | $ 1,190,017,151 | $ 1,199,802,755 |
| Accrued Interest Receivable | $ 3,796,874 | $ 1,401,829 | $ 57,730 | $ 9,305,333 | $ 14,561,766 |
| TOTAL PARITY ASSETS | $ 940,934,706 | $ 573,519,510 | $ 9,096,776 | $ 1,291,663,029 | $ 2,815,214,021 |
| PARITY LIABILITIES | | | | | |
| Bonds Payable[1] | $ 896,080,000 | $ 559,365,000 | $ 8,000,000 | $ 1,200,354,632 | $ 2,663,799,632 |
| Accrued Interest Payable | $ 20,375,972 | $ 2,501,603 | $ 30,240 | $ 9,557,777 | $ 32,465,592 |
| Other Non-Current Liabilities[3] | | | | $ 93,891,292 | $ 93,891,292 |
| TOTAL PARITY LIABILITIES | $ 916,455,972 | $ 561,866,603 | $ 8,030,240 | $ 1,303,803,701 | $ 2,790,156,516 |
| PARITY DIFFERENCE | $ 24,478,734 | $ 11,652,907 | $ 1,066,536 | $ (12,140,671) | $ 25,057,505 |
| **PARITY** | **102.67%** | **102.07%** | **113.28%** | **99.07%** | **100.90%** |
| ***INTEREST COMPARISON (For the Twelfth Fiscal Month) :*** | | | | | |
| INTEREST INCOME | | | | | |
| Interest & Investment Income | $ 4,005,874 | $ 1,049,846 | $ 49,528 | $ 4,576,134 | $ 9,681,382 |
| TOTAL INTEREST INCOME | $ 4,005,874 | $ 1,049,846 | $ 49,528 | $ 4,576,134 | $ 9,681,382 |
| INTEREST EXPENSE | | | | | |
| Interest on Bonds | $ 3,379,567 | $ 1,170,035 | $ 45,963 | $ 4,576,044 | $ 9,171,609 |
| TOTAL INTEREST EXPENSE | $ 3,379,567 | $ 1,170,035 | $ 45,963 | $ 4,576,044 | $ 9,171,609 |
| NET INTEREST | $ 626,307 | $ (120,189) [4] | $ 3,565 | $ 90 | $ 509,773 |
| INTEREST RATIO | **118.53%** | **89.73%** | **107.76%** | **100.00%** | **105.56%** |

(1) Investments, Mortgage Backed Securities and Bonds Payable reported at par value not fair value.
This adjustment is consistent with indenture cashflows prepared for rating agencies.

(2) Loans Receivable include whole loans only. Special mortgage loans are excluded.

(3) Other Non-Current Liabilities include "Due to Developers" (for insurance, taxes and other operating expenses) and "Earning Due to Developers" (on investments).

(4) Negative amount due to negative arbitrage on RMRB 2009AB.

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# HOUSING FINANCE DIVISION

# PUBLIC FUNDS INVESTMENT ACT
# INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
# QUARTER ENDING AUGUST 31, 2010

# PUBLIC FUNDS INVESTMENT ACT
# INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
# QUARTER ENDING AUGUST 31, 2010

1) PFIA- Internal Management Report (Sec. 2256.023)
2) Bar Graph - Comparison of Market by Fund Group between Quarters
3) Supplemental Schedule of Portfolio Interest Rate Trends and Maturities
4) Bar Graph - Comparison of Market Valuation by Investment Type between Quarters
5) Supplemental Public Funds Investment Act Report by Investment Type
6) Detail of Investments including maturity dates by Fund Group

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Quarter Ending August 31, 2010

(b) (4) Summary statement of each pooled fund group:

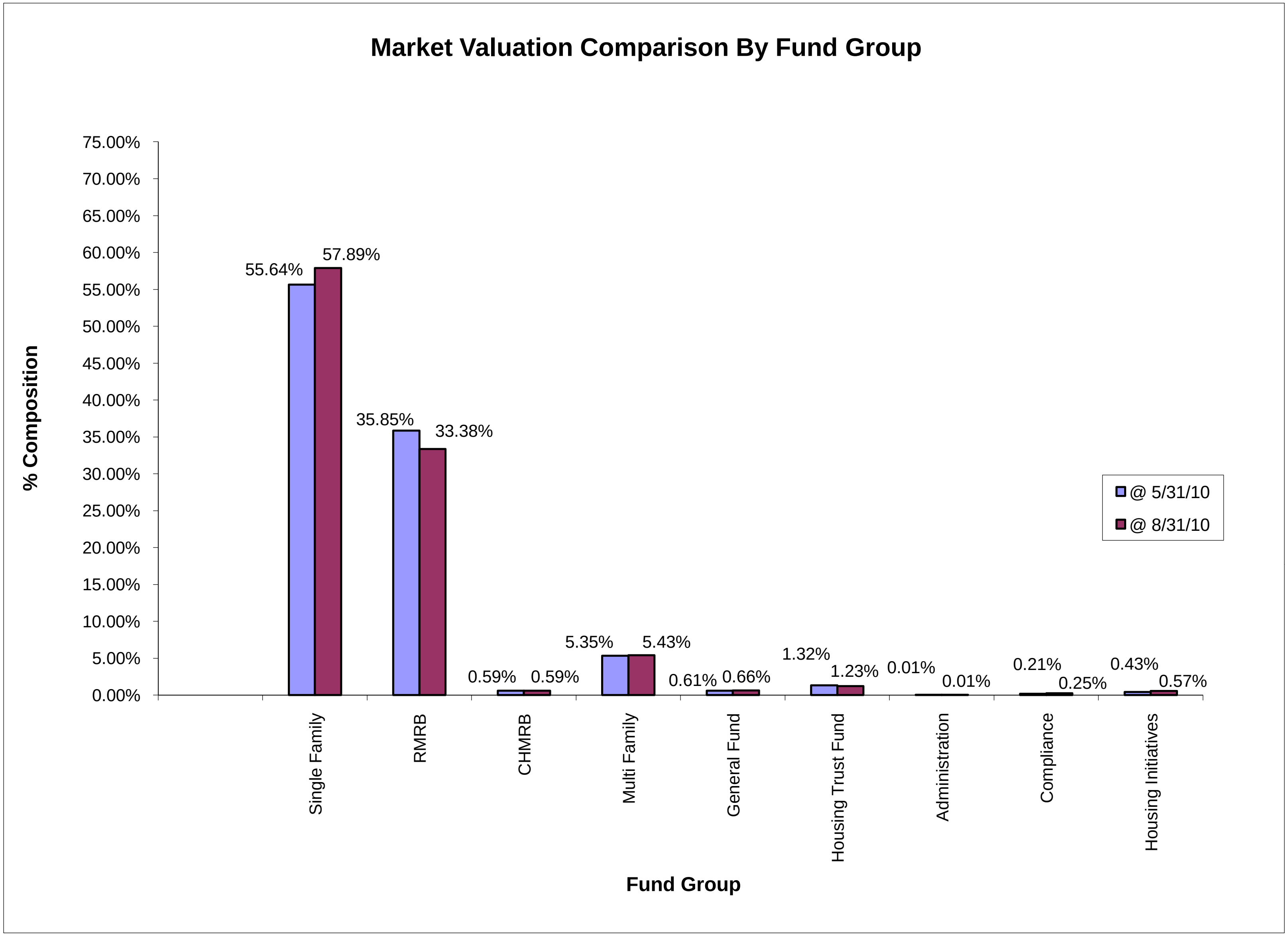
| INDENTURE | FAIR VALUE (MARKET) @ 5/31/10 | CARRYING VALUE @ 5/31/10 | CHANGE IN CARRYING VALUE: ACCRETION/ PURCHASES | AMORTIZATION/ SALES | MATURITIES | TRANSFERS | CARRYING VALUE @ 8/31/10 | FAIR VALUE (MARKET) @ 8/31/10 | CHANGE IN FAIR VALUE (MARKET) | ACCRUED INT RECVBL @ 8/31/10 | RECOGNIZED GAIN |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Single Family | 994,228,860.13 | 936,012,564.67 | 60,162,360.71 | (39,047,841.28) | (32,123,525.46) | 0.00 | 925,003,558.64 | 995,065,263.21 | 11,845,609.11 | 3,735,297.00 | 0.00 |
| RMRB | 640,570,426.64 | 621,355,221.20 | 25,193,865.23 | (86,766,653.68) | (5,037,264.45) | 0.00 | 554,745,168.30 | 573,723,385.05 | (236,988.69) | 1,396,303.00 | 3,660,397.31 |
| CHMRB | 10,529,964.07 | 9,423,347.79 | 102,754.66 | (247,687.55) | (258,529.39) | 0.00 | 9,019,885.51 | 10,150,894.74 | 24,392.95 | 57,730.00 | 0.00 |
| Multi Family | 95,579,822.21 | 95,579,822.21 | 5,942,327.68 | (8,035,661.08) | (135,303.10) | 0.00 | 93,351,185.71 | 93,351,185.71 | - | 10.00 | 0.00 |
| General Fund | 10,915,989.59 | 10,915,989.59 | 1,769,846.11 | (1,415,891.07) | 0.00 | 0.00 | 11,269,944.63 | 11,269,944.63 | - | 838.00 | 0.00 |
| Housing Trust Fund | 23,668,490.93 | 23,668,490.93 | 2,232,029.56 | (4,735,618.41) | 0.00 | 0.00 | 21,164,902.08 | 21,164,902.08 | - | 118.00 | 0.00 |
| Administration | 158,817.23 | 158,817.23 | 34.96 | 0.00 | 0.00 | 0.00 | 158,852.19 | 158,852.19 | - | 1.00 | 0.00 |
| Compliance | 3,665,331.56 | 3,665,331.56 | 576,417.76 | 0.00 | 0.00 | 0.00 | 4,241,749.32 | 4,241,749.32 | - | 24.00 | 0.00 |
| Housing Initiatives | 7,629,207.00 | 7,629,207.00 | 2,188,915.48 | (94,110.53) | 0.00 | 0.00 | 9,724,011.95 | 9,724,011.95 | - | 55.00 | 0.00 |
| TOTAL | 1,786,946,709.36 | 1,708,408,792.18 | 98,168,552.15 | (140,343,463.60) | (37,554,622.40) | 0.00 | 1,628,679,258.33 | 1,718,850,188.88 | 11,633,013.37 | 5,190,376.00 | 3,660,397.31 |

* No relationship can be drawn between the "ACCRUED INT RECVBL @ 5/31/10" figures and the corresponding investment values, because of various factors (e.g. purchase date of investment; interest payment terms-daily, monthly & semi-annual; etc..). In addition to the aforementioned factors with regards to the Multi Family Indenture, the Department is carrying $93,745,462 of investments pledged as reserves by participating entities. The Department is carrying these investments with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

David Cervantes, Director of Financial Administration — Date 10/26/10

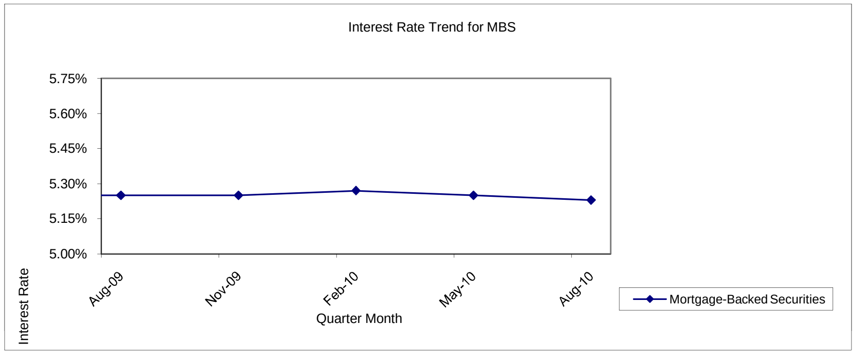
Tim Nelson, Director of Bond Finance — Date 10-7-10

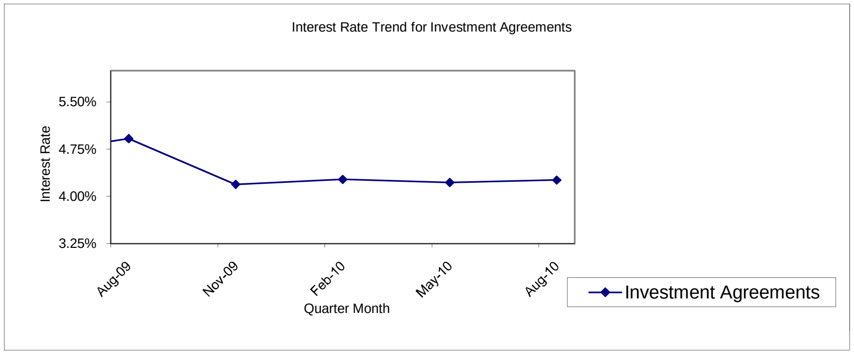


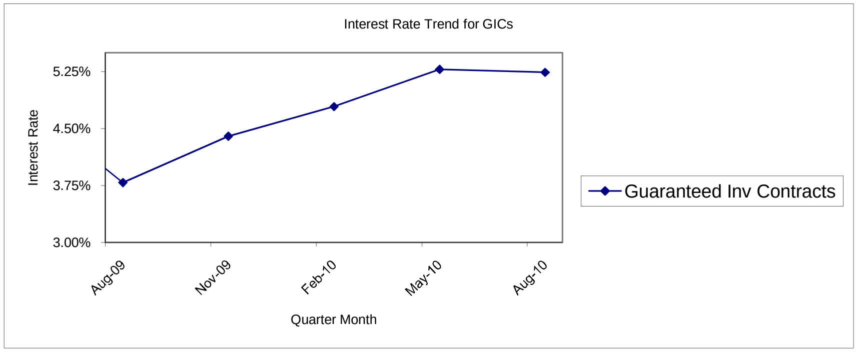
Market Valuation Comparison By Fund Group
% Composition
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
55.64%
57.89%
35.85%
33.38%
0.59%
0.59%
5.35%
5.43%
0.61%
0.66%
1.32%
1.23%
0.01%
0.01%
0.21%
0.25%
0.43%
0.57%
Single Family
RMRB
CHMRB
Multi Family
General Fund
Housing Trust Fund
Administration
Compliance
Housing Initiatives
Fund Group
@ 5/31/10
@ 8/31/10

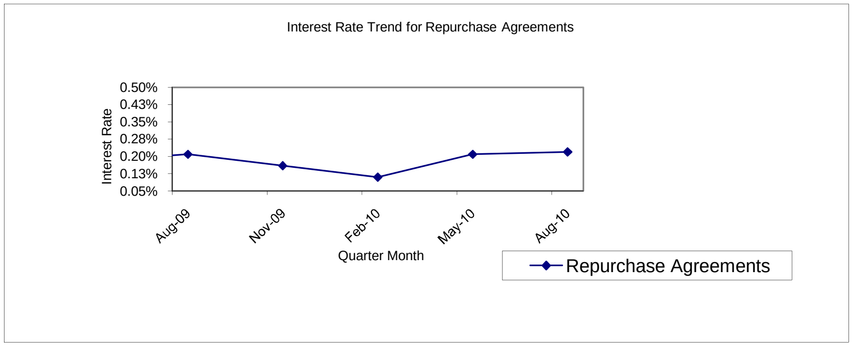
**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**HOUSING FINANCE DIVISION**
**PUBLIC FUNDS INVESTMENT ACT**
**Supplemental Schedule of Portfolio Interest Rate Trends and Maturities**
**Quarter August 31, 2010**

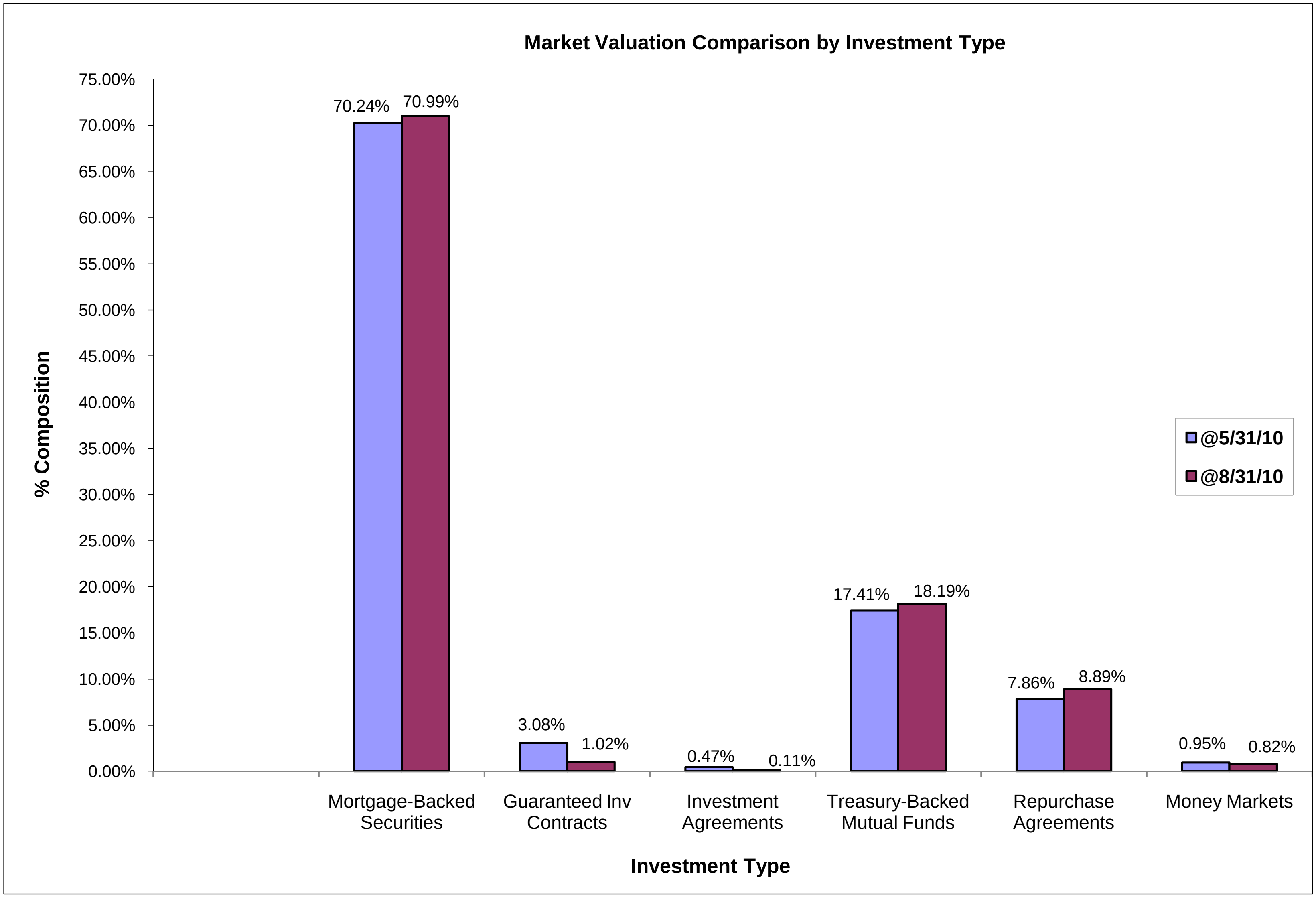
| INVESTMENT TYPE | Range of Interest for Current Quarter HI | LOW | Portfolio % Composition | Weighted Avg Rate Beg Carrying Value @ 05/31/10 | Weighted Avg Rate Beg Market Value @ 05/31/10 | Weighted Avg Rate End Carrying Value @ 08/31/10 | Weighted Avg Rate End Market Value @ 08/31/10 | Weighted Avg Maturity Beg Carrying Value @ 05/31/10 | | Weighted Avg Maturity Beg Market Value @ 05/31/10 | | Weighted Avg Maturity End Carrying Value @ 08/31/10 | | Weighted Avg Maturity End Market Value @ 08/31/10 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Months | Days | Months | Days | Months | Days | Months | Days |
| **Mortgage-Backed Securities** | 8.75% | 4.49% | 70.99% | 5.24% | 5.25% | 5.22% | 5.23% | 307 | 15 | 307 | 1 | 307 | 8 | 306 | 27 |
| **Guaranteed Inv Contracts** | 6.09% | 0.68% | 1.02% | 5.28% | 5.28% | 5.24% | 5.24% | 279 | 28 | 279 | 28 | 256 | 3 | 256 | 3 |
| **Investment Agreements** | 6.15% | 2.51% | 0.10% | 4.22% | 4.22% | 4.26% | 4.26% | 348 | 13 | 348 | 13 | 331 | 27 | 331 | 27 |
| **Repurchase Agreements** | 0.20% | 0.20% | 8.89% | 0.21% | 0.21% | 0.22% | 0.22% | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| **Money Markets** | 0.01% | 0.01% | 0.82% | 0.01% | 0.01% | 0.01% | 0.01% | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| **Treasury-Backed Mutual Funds** | 0.01% | 0.01% | 18.18% | 0.00% | 0.00% | 0.01% | 0.01% | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |




Market Valuation Comparison by Investment Type
% Composition
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
70.24%
70.99%
3.08%
1.02%
0.47%
0.11%
17.41%
18.19%
7.86%
8.89%
0.95%
0.82%
Mortgage-Backed Securities
Guaranteed Inv Contracts
Investment Agreements
Treasury-Backed Mutual Funds
Repurchase Agreements
Money Markets
Investment Type
@5/31/10
@8/31/10

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS**
**HOUSING FINANCE DIVISION**
**PUBLIC FUNDS INVESTMENT ACT**
**Supplemental Public Funds Investment Act Report by Investment Type Schedule**
**Quarter Ending August 31, 2010**

(b) (4) Summary statement of each pooled investment group:

| INVESTMENT TYPE | FAIR VALUE (MARKET) @ 5/31/10 | CARRYING VALUE @ 5/31/10 | CHANGE IN CARRYING VALUE: ACCRETION/ PURCHASES | CHANGE IN CARRYING VALUE: AMORTIZATION/ SALES | CHANGE IN CARRYING VALUE: MATURITIES | CHANGE IN CARRYING VALUE: TRANSFERS | CARRYING VALUE @ 8/31/10 | FAIR VALUE (MARKET) @ 8/31/10 | CHANGE IN FAIR VALUE (MARKET) | RECOGNIZED GAIN |
|---|---|---|---|---|---|---|---|---|---|---|
| Mortgage-Backed Securities | 1,255,100,436.49 | 1,176,562,519.31 | 31,713,546.07 | (40,723,436.81) | (37,554,622.40) | 0.00 | 1,129,998,006.17 | 1,220,168,936.72 | 11,633,013.37 | 3,660,397.31 |
| Guaranteed Inv Contracts | 55,078,128.52 | 55,078,128.52 | 678,674.70 | (38,207,258.86) | 0.00 | 0.00 | 17,549,544.36 | 17,549,544.36 | - | 0.00 |
| Investment Agreements | 8,343,134.23 | 8,343,134.23 | 332,168.96 | (6,906,494.43) | 0.00 | 0.00 | 1,768,808.76 | 1,768,808.76 | - | 0.00 |
| Treasury-Backed Mutual Funds | 311,057,921.85 | 311,057,921.85 | 3,382,059.10 | (1,864,579.88) | 0.00 | 0.00 | 312,575,401.07 | 312,575,401.07 | - | 0.00 |
| Repurchase Agreements | 140,433,787.73 | 140,433,787.73 | 59,693,761.76 | (47,394,692.90) | 0.00 | 0.00 | 152,732,856.59 | 152,732,856.59 | - | 0.00 |
| Money Markets | 16,933,300.54 | 16,933,300.54 | 2,368,341.56 | (5,247,000.72) | 0.00 | 0.00 | 14,054,641.38 | 14,054,641.38 | - | 0.00 |
| TOTAL | 1,786,946,709.36 | 1,708,408,792.18 | 98,168,552.15 | (140,343,463.60) | (37,554,622.40) | 0.00 | 1,628,679,258.33 | 1,718,850,188.88 | 11,633,013.37 | 3,660,397.31 |

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

David Cervantes, Director of Financial Administration — Date 10/22/10

Tim Nelson, Director of Bond Finance — Date 10-7-10

# Detail of Investments including maturity dates by Fund Group

# Texas Department of Housing and Community Affairs
## Single Family Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | 1980 Single Family Surplus Rev | 0.20 | 08/31/10 | 09/01/10 | 2,041.75 | 2,041.75 | 2,237.92 | | | | 4,279.67 | 4,279.67 | - | 0.00 |
| Repo Agmt | 1980 Single Family Surplus Rev | 0.20 | 08/31/10 | 09/01/10 | 28,796.82 | 28,796.82 | 4,719,156.01 | | | | 4,747,952.83 | 4,747,952.83 | - | 0.00 |
| GIC's | 1980 Single Family Surplus Rev | 6.08 | 11/14/96 | 09/30/29 | 7,149,487.22 | 7,149,487.22 | | (2,220,769.99) | | | 4,928,717.23 | 4,928,717.23 | - | 0.00 |
| Repo Agmt | 1980 Single Family Surplus Rev | 0.20 | 08/31/10 | 09/01/10 | 1.89 | 1.89 | 0.00 | | | | 1.89 | 1.89 | - | 0.00 |
| Repo Agmt | 1980 Single Family Surplus Rev | 0.20 | 08/31/10 | 09/01/10 | 24,111.09 | 24,111.09 | 26,449.14 | | | | 50,560.23 | 50,560.23 | - | 0.00 |
| | **1980 Single Family Surplus Rev Total** | | | | 7,204,438.77 | 7,204,438.77 | 4,747,843.07 | (2,220,769.99) | 0.00 | 0.00 | 9,731,511.85 | 9,731,511.85 | 0.00 | 0.00 |
| Repo Agmt | 1982 A Single Family | 0.20 | 08/31/10 | 09/01/10 | | | 0.01 | | | | 0.01 | 0.01 | - | 0.00 |
| | **1982 A Single Family Total** | | | | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.00 | 0.00 |
| Repo Agmt | 1983 A&B Single Family | 0.20 | 08/31/10 | 09/01/10 | 13,529.80 | 13,529.80 | | (8,234.79) | | | 5,295.01 | 5,295.01 | - | 0.00 |
| GIC's | 1983 A&B Single Family | 6.08 | 11/14/96 | 09/30/29 | 150,203.69 | 150,203.69 | | (33,472.56) | | | 116,731.13 | 116,731.13 | - | 0.00 |
| | **1983 A&B Single Family Total** | | | | 163,733.49 | 163,733.49 | 0.00 | (41,707.35) | 0.00 | 0.00 | 122,026.14 | 122,026.14 | 0.00 | 0.00 |
| Repo Agmt | 1984 A&B Single Family | 0.20 | 08/31/10 | 09/01/10 | 2.07 | 2.07 | 1,623.59 | | | | 1,625.66 | 1,625.66 | - | 0.00 |
| GIC's | 1984 A&B Single Family | | | | 114,863.15 | 114,863.15 | | (114,863.15) | | | | | - | 0.00 |
| | **1984 A&B Single Family Total** | | | | 114,865.22 | 114,865.22 | 1,623.59 | (114,863.15) | 0.00 | 0.00 | 1,625.66 | 1,625.66 | 0.00 | 0.00 |
| Repo Agmt | 1985 A Single Family | 0.20 | 08/31/10 | 09/01/10 | 21,850.70 | 21,850.70 | | (21,038.29) | | | 812.41 | 812.41 | - | 0.00 |
| GIC's | 1985 A Single Family | 6.08 | 11/14/96 | 09/30/29 | | | 44,695.97 | | | | 44,695.97 | 44,695.97 | - | 0.00 |
| | **1985 A Single Family Total** | | | | 21,850.70 | 21,850.70 | 44,695.97 | (21,038.29) | 0.00 | 0.00 | 45,508.38 | 45,508.38 | 0.00 | 0.00 |
| Repo Agmt | 1985 B&C Single Family | 0.20 | 08/31/10 | 09/01/10 | 31,279.09 | 31,279.09 | | (31,164.86) | | | 114.23 | 114.23 | - | 0.00 |
| GIC's | 1985 B&C Single Family | 6.08 | 11/14/96 | 09/30/29 | 3,010.55 | 3,010.55 | 9,006.48 | | | | 12,017.03 | 12,017.03 | - | 0.00 |
| | **1985 B&C Single Family Total** | | | | 34,289.64 | 34,289.64 | 9,006.48 | (31,164.86) | 0.00 | 0.00 | 12,131.26 | 12,131.26 | 0.00 | 0.00 |
| Repo Agmt | 1987 B Single Family | 0.20 | 08/31/10 | 09/01/10 | 0.78 | 0.78 | 2,315.82 | | | | 2,316.60 | 2,316.60 | - | 0.00 |
| GIC's | 1987 B Single Family | 6.08 | 11/14/96 | 09/30/29 | 65,688.89 | 65,688.89 | 35,544.29 | | | | 101,233.18 | 101,233.18 | - | 0.00 |
| Repo Agmt | 1987 B Single Family | 0.20 | 08/31/10 | 09/01/10 | 6,765.00 | 6,765.00 | 0.00 | | | | 6,765.00 | 6,765.00 | - | 0.00 |
| | **1987 B Single Family Total** | | | | 72,454.67 | 72,454.67 | 37,860.11 | 0.00 | 0.00 | 0.00 | 110,314.78 | 110,314.78 | 0.00 | 0.00 |
| Repo Agmt | 1995 A&B Single Family | 0.20 | 08/31/10 | 09/01/10 | 15,935.11 | 15,935.11 | | (2,511.73) | | | 13,423.38 | 13,423.38 | - | 0.00 |
| GIC's | 1995 A&B Single Family | 6.08 | 11/14/96 | 09/30/29 | 32,064.55 | 32,064.55 | 39,135.35 | | | | 71,199.90 | 71,199.90 | - | 0.00 |
| FNMA | 1995 A&B Single Family | 6.15 | 07/30/96 | 06/01/26 | 73,481.64 | 81,438.50 | | | (2,409.52) | | 71,072.12 | 78,668.54 | (360.44) | 0.00 |
| GNMA | 1995 A&B Single Family | 6.15 | 11/26/96 | 11/20/26 | 454,382.95 | 502,011.59 | | | (4,937.30) | | 449,445.65 | 496,930.42 | (143.87) | 0.00 |
| GNMA | 1995 A&B Single Family | 6.15 | 05/29/97 | 05/20/27 | 158,439.39 | 174,752.31 | | | (6,158.36) | | 152,281.03 | 168,371.04 | (222.91) | 0.00 |
| | **1995 A&B Single Family Total** | | | | 734,303.64 | 806,202.06 | 39,135.35 | (2,511.73) | (13,505.18) | 0.00 | 757,422.08 | 828,593.28 | (727.22) | 0.00 |
| Repo Agmt | 1996 A-C Single Family | 0.20 | 08/31/10 | 09/01/10 | 14,453.71 | 14,453.71 | 6.62 | | | | 14,460.33 | 14,460.33 | - | 0.00 |
| Repo Agmt | 1996 A-C Single Family | | | | 132,430.09 | 132,430.09 | | (132,430.09) | | | | | - | 0.00 |
| | **1996 A-C Single Family Total** | | | | 146,883.80 | 146,883.80 | 6.62 | (132,430.09) | 0.00 | 0.00 | 14,460.33 | 14,460.33 | 0.00 | 0.00 |
| Repo Agmt | 1996 D&E Single Family | 0.20 | 08/31/10 | 09/01/10 | 290,092.00 | 290,092.00 | 0.00 | | | | 290,092.00 | 290,092.00 | - | 0.00 |
| Repo Agmt | 1996 D&E Single Family | 0.20 | 08/31/10 | 09/01/10 | 18,337.76 | 18,337.76 | 8.49 | | | | 18,346.25 | 18,346.25 | - | 0.00 |
| GIC's | 1996 D&E Single Family | | | | 151,159.39 | 151,159.39 | | (151,159.39) | | | | | - | 0.00 |
| | **1996 D&E Single Family Total** | | | | 459,589.15 | 459,589.15 | 8.49 | (151,159.39) | 0.00 | 0.00 | 308,438.25 | 308,438.25 | 0.00 | 0.00 |
| Repo Agmt | 1997 D-F Single Family | 0.20 | 08/31/10 | 09/01/10 | 214,285.27 | 214,285.27 | 396,115.91 | | | | 610,401.18 | 610,401.18 | - | 0.00 |
| FNMA | 1997 D-F Single Family | 6.25 | 06/29/98 | 06/01/28 | 293,083.76 | 323,817.27 | | | (4,024.20) | | 289,059.56 | 319,807.56 | 14.49 | 0.00 |
| FNMA | 1997 D-F Single Family | 6.25 | 11/30/98 | 10/01/28 | 84,098.33 | 92,916.85 | | | (1,047.47) | | 83,050.86 | 91,884.95 | 15.57 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 05/19/98 | 05/20/28 | 382,905.93 | 423,777.33 | | | (4,115.85) | | 378,790.08 | 423,540.35 | 3,878.87 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 07/24/00 | 06/20/30 | 956,485.51 | 1,035,395.56 | | | (8,007.29) | | 948,478.22 | 1,032,361.64 | 4,973.37 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 08/14/98 | 07/20/28 | 185,930.35 | 205,776.58 | | | (1,868.86) | | 184,061.49 | 205,806.54 | 1,898.82 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 08/28/00 | 08/20/30 | 220,883.89 | 239,106.79 | | | (1,463.03) | | 219,420.86 | 238,826.41 | 1,182.65 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 06/30/98 | 06/20/28 | 397,539.79 | 439,973.21 | | | (4,359.80) | | 393,179.99 | 439,630.30 | 4,016.89 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 09/18/98 | 08/20/28 | 666,203.58 | 737,314.21 | | | (6,684.47) | | 659,519.11 | 737,434.76 | 6,805.02 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 1997 D-F Single Family | 6.25 | 03/31/99 | 11/01/28 | 144,249.19 | 159,375.15 | | | (47,394.59) | | 96,854.60 | 107,157.01 | (4,823.55) | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 11/30/98 | 11/20/28 | 649,795.15 | 719,154.17 | | | (6,032.78) | | 643,762.37 | 719,816.35 | 6,694.96 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 11/30/98 | 10/20/28 | 340,091.52 | 376,392.89 | | | (3,066.79) | | 337,024.73 | 376,840.83 | 3,514.73 | 0.00 |
| FNMA | 1997 D-F Single Family | 6.25 | 05/27/99 | 04/01/29 | 115,624.78 | 127,749.19 | | | (1,223.19) | | 114,401.59 | 126,570.48 | 44.48 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 02/16/99 | 02/20/29 | 1,304,952.45 | 1,444,973.89 | | | (11,606.61) | | 1,293,345.84 | 1,445,081.19 | 11,713.91 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 03/31/99 | 03/20/29 | 597,046.67 | 661,109.78 | | | (5,193.34) | | 591,853.33 | 661,289.56 | 5,373.12 | 0.00 |
| GNMA | 1997 D-F Single Family | 6.25 | 05/27/99 | 04/20/29 | 324,901.05 | 359,762.91 | | | (2,912.06) | | 321,988.99 | 359,764.72 | 2,913.87 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 06/22/99 | 06/20/29 | 578,545.15 | 626,257.76 | | | (47,908.10) | | 530,637.05 | 577,678.02 | (671.64) | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 07/30/99 | 07/20/29 | 779,071.83 | 843,321.81 | | | (7,055.72) | | 772,016.11 | 840,455.28 | 4,189.19 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 08/26/99 | 08/20/29 | 514,239.53 | 556,648.85 | | | (4,624.01) | | 509,615.52 | 554,792.92 | 2,768.08 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 09/30/99 | 09/20/29 | 415,658.27 | 449,937.59 | | | (3,095.64) | | 412,562.63 | 449,136.29 | 2,294.34 | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 12/21/99 | 11/01/29 | 254,181.40 | 272,706.13 | | | (77,599.12) | | 176,582.28 | 190,689.42 | (4,417.59) | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 10/29/99 | 10/20/29 | 884,796.18 | 957,765.32 | | | (7,171.91) | | 877,624.27 | 955,425.65 | 4,832.24 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 11/18/99 | 11/20/29 | 1,000,882.39 | 1,083,425.18 | | | (7,487.44) | | 993,394.95 | 1,081,459.42 | 5,521.68 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 12/30/99 | 12/20/29 | 980,463.46 | 1,061,322.27 | | | (7,361.73) | | 973,101.73 | 1,059,367.17 | 5,406.63 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 01/28/00 | 01/20/30 | 1,089,372.59 | 1,179,245.81 | | | (8,349.49) | | 1,081,023.10 | 1,176,628.75 | 5,732.43 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 02/22/00 | 01/20/30 | 567,792.30 | 614,635.16 | | | (5,840.49) | | 561,951.81 | 611,650.84 | 2,856.17 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 03/27/00 | 02/20/30 | 325,549.14 | 352,406.95 | | | (79,984.07) | | 245,565.07 | 267,282.86 | (5,140.02) | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 02/23/00 | 01/01/30 | 139,696.01 | 149,877.04 | | | (30,681.33) | | 109,014.68 | 117,723.85 | (1,471.86) | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 04/27/00 | 03/20/30 | 379,768.06 | 411,098.90 | | | (2,923.42) | | 376,844.64 | 410,172.75 | 1,997.27 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 05/30/00 | 05/20/30 | 478,433.93 | 517,904.70 | | | (11,530.91) | | 466,903.02 | 508,195.91 | 1,822.12 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 06/21/00 | 06/20/30 | 979,897.16 | 1,060,738.64 | | | (6,843.52) | | 973,053.64 | 1,059,110.48 | 5,215.36 | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 05/30/00 | 05/01/30 | 178,845.96 | 191,509.95 | | | (4,585.88) | | 174,260.08 | 188,213.00 | 1,288.93 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 10/23/00 | 09/20/30 | 39,823.62 | 43,109.08 | | | (258.45) | | 39,565.17 | 43,064.32 | 213.69 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 10/30/00 | 10/20/30 | 255,367.93 | 276,435.79 | | | (49,281.23) | | 206,086.70 | 224,313.02 | (2,841.54) | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 07/24/00 | 06/01/30 | 394,557.50 | 422,496.06 | | | (18,300.70) | | 376,256.80 | 406,383.63 | 2,188.27 | 0.00 |
| GNMA | 1997 D-F Single Family | 5.45 | 12/21/00 | 05/20/30 | 62,969.38 | 68,164.32 | | | (433.31) | | 62,536.07 | 68,066.73 | 335.72 | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 10/06/00 | 09/01/30 | 189,448.93 | 202,863.77 | | | (2,103.76) | | 187,345.17 | 202,345.85 | 1,585.84 | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 10/30/00 | 08/01/30 | 307,931.55 | 329,736.20 | | | (3,373.38) | | 304,558.17 | 328,944.15 | 2,581.33 | 0.00 |
| FNMA | 1997 D-F Single Family | 5.45 | 02/12/01 | 02/01/30 | 31,309.80 | 33,591.65 | | | (301.37) | | 31,008.43 | 33,485.69 | 195.41 | 0.00 |
| Repo Agmt | 1997 D-F Single Family | | | | 157,919.10 | 157,919.10 | | (157,919.10) | | | | | - | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 05/12/05 | 05/20/35 | 49,345.73 | 51,484.98 | | | (250.22) | | 49,095.51 | 52,852.16 | 1,617.40 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 07/14/05 | 07/20/35 | 37,121.26 | 38,673.28 | | | (191.93) | | 36,929.33 | 39,696.95 | 1,215.60 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 05/26/05 | 05/20/35 | 58,803.31 | 61,354.43 | | | (301.19) | | 58,502.12 | 63,023.01 | 1,969.77 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 06/02/05 | 06/20/35 | 45,081.21 | 47,041.08 | | | (232.57) | | 44,848.64 | 48,318.57 | 1,510.06 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 06/09/05 | 06/20/35 | 67,073.32 | 69,761.34 | | | (8,161.11) | | 58,912.21 | 63,222.92 | 1,622.69 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 06/15/05 | 06/20/35 | 59,119.76 | 61,742.24 | | | (296.98) | | 58,822.78 | 63,427.06 | 1,981.80 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 06/23/05 | 06/20/35 | 90,735.02 | 94,561.13 | | | (677.52) | | 90,057.50 | 96,839.61 | 2,956.00 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 06/29/05 | 06/20/35 | 43,854.93 | 45,837.02 | | | (218.48) | | 43,636.45 | 47,057.62 | 1,439.08 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 09/08/05 | 09/20/35 | 11,857.73 | 12,371.48 | | | (59.00) | | 11,798.73 | 12,709.80 | 397.32 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 07/21/05 | 07/20/35 | 23,672.32 | 24,830.24 | | | (115.55) | | 23,556.77 | 25,510.34 | 795.65 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 07/28/05 | 07/20/35 | 15,382.80 | 16,063.51 | | | (75.98) | | 15,306.82 | 16,492.12 | 504.59 | 0.00 |
| GNMA | 1997 D-F Single Family | 4.49 | 08/04/05 | 08/20/35 | 4,862.71 | 5,150.97 | | | (23.02) | | 4,839.69 | 5,292.31 | 164.36 | 0.00 |
| FNMA | 1997 D-F Single Family | 4.49 | 07/28/05 | 07/01/35 | 20,148.18 | 20,837.46 | | | (109.46) | | 20,038.72 | 21,287.39 | 559.39 | 0.00 |
| FNMA | 1997 D-F Single Family | 4.49 | 10/20/05 | 09/01/35 | 6,056.31 | 6,258.63 | | | (30.23) | | 6,026.08 | 6,396.64 | 168.24 | 0.00 |
| | **1997 D-F Single Family Total** | | | | 18,397,712.98 | 19,979,966.87 | 396,115.91 | (157,919.10) | (506,838.55) | 0.00 | 18,129,071.24 | 19,812,926.33 | 101,601.20 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2002A Single Family (JR Lien) | 0.20 | 08/31/10 | 09/01/10 | 83,292.78 | 83,292.78 | | (55,829.37) | | | 27,463.41 | 27,463.41 | - | 0.00 |
| Repo Agmt | 2002A Single Family (JR Lien) | 0.20 | 08/31/10 | 09/01/10 | 163,671.46 | 163,671.46 | | (152,174.23) | | | 11,497.23 | 11,497.23 | - | 0.00 |
| | **2002A Single Family (JR Lien) Total** | | | | 246,964.24 | 246,964.24 | 0.00 | (208,003.60) | 0.00 | 0.00 | 38,960.64 | 38,960.64 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2004 A/B Single Family | 0.20 | 08/31/10 | 09/01/10 | 987,190.35 | 987,190.35 | 3,855,050.67 | | | | 4,842,241.02 | 4,842,241.02 | - | 0.00 |
| GIC's | 2004 A/B Single Family | 3.96 | 04/25/05 | 03/01/36 | 2,708,559.66 | 2,708,559.66 | | (2,445,747.99) | | | 262,811.67 | 262,811.67 | - | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/08/04 | 06/20/34 | 893,410.84 | 928,979.97 | | | (5,384.74) | | 888,026.10 | 952,802.46 | 29,207.23 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/08/04 | 07/20/34 | 765,436.82 | 795,915.00 | | | (4,599.58) | | 760,837.24 | 816,340.05 | 25,024.63 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 06/29/04 | 06/20/34 | 246,115.04 | 255,912.02 | | | (1,349.16) | | 244,765.88 | 262,618.57 | 8,055.71 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/02/04 | 08/20/34 | 848,135.03 | 881,946.97 | | | (5,186.09) | | 842,948.94 | 904,483.69 | 27,722.81 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/09/04 | 09/20/34 | 1,228,838.99 | 1,277,841.07 | | | (17,109.58) | | 1,211,729.41 | 1,300,198.04 | 39,466.55 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/16/04 | 08/20/34 | 2,003,570.45 | 2,083,466.23 | | | (11,713.27) | | 1,991,857.18 | 2,137,283.05 | 65,530.09 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/23/04 | 09/20/34 | 674,659.43 | 701,569.73 | | | (3,980.57) | | 670,678.86 | 719,652.55 | 22,063.39 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 A/B Single Family | 4.49 | 09/29/04 | 09/20/34 | 1,139,405.32 | 1,184,858.90 | | | (7,004.82) | | 1,132,400.50 | 1,215,095.60 | 37,241.52 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 10/07/04 | 10/20/34 | 1,414,303.81 | 1,470,738.64 | | | (147,230.79) | | 1,267,073.02 | 1,359,617.89 | 36,110.04 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/15/04 | 07/20/34 | 1,792,793.92 | 1,864,188.80 | | | (12,707.80) | | 1,780,086.12 | 1,909,952.42 | 58,471.42 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/22/04 | 07/20/34 | 1,270,848.97 | 1,321,464.97 | | | (7,569.23) | | 1,263,279.74 | 1,355,449.23 | 41,553.49 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/29/04 | 07/20/34 | 1,996,847.67 | 2,076,389.55 | | | (12,477.75) | | 1,984,369.92 | 2,129,161.18 | 65,249.38 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/05/04 | 08/20/34 | 1,928,104.12 | 2,004,929.94 | | | (11,352.83) | | 1,916,751.29 | 2,056,631.51 | 63,054.40 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/12/04 | 08/20/34 | 2,502,761.78 | 2,602,498.08 | | | (153,161.29) | | 2,349,600.49 | 2,521,081.77 | 71,744.98 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/19/04 | 08/20/34 | 2,890,261.96 | 3,005,455.53 | | | (17,166.78) | | 2,873,095.18 | 3,082,798.34 | 94,509.59 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/19/04 | 08/20/34 | 254,583.20 | 272,533.11 | | | (1,276.30) | | 253,306.90 | 276,252.87 | 4,996.06 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/26/04 | 08/20/34 | 1,590,938.33 | 1,654,354.65 | | | (8,770.70) | | 1,582,167.63 | 1,697,656.31 | 52,072.36 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/26/04 | 08/20/34 | 79,883.82 | 85,516.63 | | | (390.80) | | 79,493.02 | 86,531.74 | 1,405.91 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/02/04 | 12/20/34 | 887,464.00 | 922,923.82 | | | (5,338.12) | | 882,125.88 | 946,602.55 | 29,016.85 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/09/04 | 10/20/34 | 204,564.51 | 218,492.32 | | | (1,461.93) | | 203,102.58 | 220,974.48 | 3,944.09 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/09/04 | 12/20/34 | 346,146.96 | 359,979.55 | | | (2,270.14) | | 343,876.82 | 369,013.46 | 11,304.05 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/09/04 | 11/20/34 | 140,777.06 | 150,717.42 | | | (698.84) | | 140,078.22 | 152,760.90 | 2,742.32 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/16/04 | 12/20/34 | 122,775.16 | 131,136.31 | | | (599.47) | | 122,175.69 | 132,928.48 | 2,391.64 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/16/04 | 12/20/34 | 693,277.15 | 720,985.24 | | | (4,394.39) | | 688,882.76 | 739,242.28 | 22,651.43 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 10/14/04 | 10/20/34 | 933,648.94 | 970,909.13 | | | (5,000.07) | | 928,648.87 | 996,480.85 | 30,571.79 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 10/14/04 | 10/20/34 | 774,229.08 | 826,908.47 | | | (36,956.14) | | 737,272.94 | 802,116.61 | 12,164.28 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 10/21/04 | 10/20/34 | 792,204.76 | 846,111.44 | | | (106,623.75) | | 685,581.01 | 745,882.04 | 6,394.35 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 10/21/04 | 10/20/34 | 1,339,879.83 | 1,393,358.99 | | | (7,486.72) | | 1,332,393.11 | 1,429,723.30 | 43,851.03 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 10/28/04 | 10/20/34 | 323,315.68 | 345,318.24 | | | (1,685.47) | | 321,630.21 | 349,921.32 | 6,288.55 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 10/28/04 | 10/20/34 | 453,081.77 | 471,168.66 | | | (2,398.46) | | 450,683.31 | 483,607.79 | 14,837.59 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/04/04 | 11/20/34 | 1,698,009.98 | 1,765,811.83 | | | (9,589.78) | | 1,688,420.20 | 1,811,785.27 | 55,563.22 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/10/04 | 11/20/34 | 935,518.37 | 972,877.64 | | | (5,889.59) | | 929,628.78 | 997,556.41 | 30,568.36 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/10/04 | 10/20/34 | 433,763.84 | 463,286.90 | | | (102,914.74) | | 330,849.10 | 359,954.36 | (417.80) | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/18/04 | 11/20/34 | 645,519.60 | 671,302.06 | | | (4,049.17) | | 641,470.43 | 688,346.62 | 21,093.73 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/23/04 | 11/20/34 | 199,381.85 | 213,457.74 | | | (1,108.61) | | 198,273.24 | 216,164.54 | 3,815.41 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/23/04 | 11/20/34 | 1,171,022.92 | 1,217,798.01 | | | (6,157.15) | | 1,164,865.77 | 1,249,994.76 | 38,353.90 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/23/04 | 12/20/34 | 377,815.81 | 403,547.59 | | | (2,171.27) | | 375,644.54 | 408,707.43 | 7,331.11 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/23/04 | 12/20/34 | 473,908.28 | 492,851.38 | | | (2,886.66) | | 471,021.62 | 505,457.35 | 15,492.63 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/29/04 | 12/20/34 | 411,080.62 | 439,080.18 | | | (1,972.57) | | 409,108.05 | 445,118.52 | 8,010.91 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/29/04 | 12/20/34 | 102,251.25 | 106,670.87 | | | (525.03) | | 101,726.22 | 109,576.03 | 3,430.19 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 01/06/05 | 01/20/35 | 477,713.87 | 496,238.74 | | | (2,512.12) | | 475,201.75 | 509,343.01 | 15,616.39 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 01/13/05 | 01/20/35 | 609,759.15 | 633,407.66 | | | (3,646.97) | | 606,112.18 | 649,662.07 | 19,901.38 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 01/19/05 | 01/20/35 | 439,654.47 | 456,708.01 | | | (2,368.63) | | 437,285.84 | 468,707.19 | 14,367.81 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 01/28/05 | 01/20/35 | 336,162.96 | 349,204.37 | | | (1,745.64) | | 334,417.32 | 358,449.58 | 10,990.85 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 02/03/05 | 02/20/35 | 1,421,369.54 | 1,476,526.30 | | | (104,282.71) | | 1,317,086.83 | 1,411,749.56 | 39,505.97 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 02/10/05 | 02/20/35 | 1,069,980.83 | 1,115,013.04 | | | (6,251.72) | | 1,063,729.11 | 1,144,519.96 | 35,758.64 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/10/05 | 02/20/35 | 915,936.57 | 976,812.16 | | | (6,923.05) | | 909,013.52 | 988,022.95 | 18,133.84 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 02/17/05 | 02/20/35 | 517,560.12 | 537,649.65 | | | (2,969.30) | | 514,590.82 | 551,581.47 | 16,901.12 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/17/05 | 01/20/35 | 208,418.83 | 222,270.88 | | | (1,014.35) | | 207,404.48 | 225,431.59 | 4,175.06 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 02/24/05 | 02/20/35 | 238,500.23 | 247,759.07 | | | (1,281.74) | | 237,218.49 | 254,271.89 | 7,794.56 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/03/05 | 02/20/35 | 390,614.30 | 416,581.86 | | | (101,737.40) | | 288,876.90 | 313,990.17 | (854.29) | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 03/03/05 | 03/20/35 | 244,881.81 | 255,193.27 | | | (1,373.01) | | 243,508.80 | 262,008.72 | 8,188.46 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/10/05 | 03/20/35 | 176,825.20 | 189,029.66 | | | (828.63) | | 175,996.57 | 191,745.68 | 3,544.65 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 03/17/05 | 03/20/35 | 420,703.03 | 437,043.99 | | | (3,396.98) | | 417,306.05 | 447,314.78 | 13,667.77 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/24/05 | 03/20/35 | 233,195.08 | 248,702.62 | | | (77,428.58) | | 155,766.50 | 169,311.35 | (1,962.69) | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 03/24/05 | 03/20/35 | 90,058.02 | 93,851.60 | | | (1,250.42) | | 88,807.60 | 95,555.96 | 2,954.78 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/30/05 | 03/20/35 | 172,671.65 | 184,592.03 | | | (865.17) | | 171,806.48 | 187,606.06 | 3,879.20 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/07/05 | 04/20/35 | 124,205.79 | 132,781.81 | | | (579.99) | | 123,625.80 | 135,028.37 | 2,826.55 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 04/07/05 | 04/20/35 | 519,052.32 | 539,224.23 | | | (3,667.98) | | 515,384.34 | 552,457.09 | 16,900.84 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/21/05 | 04/20/35 | 326,219.67 | 347,922.13 | | | (1,874.45) | | 324,345.22 | 352,558.25 | 6,510.57 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 04/21/05 | 04/20/35 | 304,528.52 | 316,366.59 | | | (1,600.55) | | 302,927.97 | 324,721.86 | 9,955.82 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/28/05 | 04/20/35 | 262,486.84 | 280,615.25 | | | (1,257.14) | | 261,229.70 | 284,617.70 | 5,259.59 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/05/05 | 05/20/35 | 126,937.16 | 135,705.19 | | | (620.24) | | 126,316.92 | 138,064.28 | 2,979.33 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 05/05/05 | 04/20/35 | 628,564.64 | 653,006.34 | | | (4,356.25) | | 624,208.39 | 669,123.23 | 20,473.14 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/12/05 | 04/20/35 | 99,887.76 | 106,787.49 | | | (473.78) | | 99,413.98 | 108,373.77 | 2,060.06 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 05/12/05 | 04/20/35 | 455,554.44 | 474,763.70 | | | (2,396.23) | | 453,158.21 | 487,613.20 | 15,245.73 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/03/05 | 05/20/35 | 121,384.43 | 129,771.79 | | | (576.77) | | 120,807.66 | 131,963.86 | 2,768.84 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 A/B Single Family | 5.00 | 07/07/05 | 06/20/35 | 210,629.05 | 225,189.80 | | | (979.21) | | 209,649.84 | 228,433.93 | 4,223.34 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/07/05 | 06/20/35 | 318,146.35 | 331,578.60 | | | (1,597.29) | | 316,549.06 | 340,634.75 | 10,653.44 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/26/05 | 05/20/35 | 121,084.58 | 129,450.44 | | | (864.60) | | 120,219.98 | 131,342.93 | 2,757.09 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 05/26/05 | 05/20/35 | 264,015.40 | 275,152.23 | | | (1,357.75) | | 262,657.65 | 282,632.57 | 8,838.09 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/02/05 | 05/20/35 | 150,564.55 | 160,968.02 | | | (778.76) | | 149,785.79 | 163,685.82 | 3,496.56 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 06/02/05 | 05/20/35 | 197,757.54 | 206,100.49 | | | (1,565.83) | | 196,191.71 | 211,113.01 | 6,578.35 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 06/10/05 | 04/20/35 | 189,100.19 | 196,458.49 | | | (125,817.85) | | 63,282.34 | 67,837.60 | (2,803.04) | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/15/05 | 06/20/35 | 283,419.54 | 303,007.09 | | | (1,865.33) | | 281,554.21 | 306,775.48 | 5,633.72 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/08/05 | 09/20/35 | 147,431.84 | 153,665.76 | | | (736.69) | | 146,695.15 | 157,866.49 | 4,937.42 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/15/05 | 09/20/35 | 470,815.78 | 502,204.66 | | | (2,200.51) | | 468,615.27 | 509,444.87 | 9,440.72 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/22/05 | 09/20/35 | 186,160.05 | 199,043.31 | | | (837.43) | | 185,322.62 | 202,040.32 | 3,834.44 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/21/05 | 07/20/35 | 250,580.27 | 261,163.54 | | | (1,301.50) | | 249,278.77 | 268,250.03 | 8,387.99 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/21/05 | 07/20/35 | 21,364.49 | 22,841.73 | | | (102.76) | | 21,261.73 | 23,045.75 | 306.78 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/28/05 | 07/20/35 | 2,576,805.86 | 2,677,210.01 | | | (13,394.89) | | 2,563,410.97 | 2,748,071.56 | 84,256.44 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/04/05 | 08/20/35 | 107,036.78 | 114,439.56 | | | (491.66) | | 106,545.12 | 116,122.73 | 2,174.83 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/11/05 | 07/20/35 | 132,296.02 | 137,885.77 | | | (652.59) | | 131,643.43 | 141,664.24 | 4,431.06 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/11/05 | 08/20/35 | 356,621.10 | 380,384.80 | | | (1,701.96) | | 354,919.14 | 385,830.90 | 7,148.06 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/30/05 | 08/20/35 | 296,857.41 | 308,433.35 | | | (4,176.16) | | 292,681.25 | 313,774.31 | 9,517.12 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/30/05 | 08/20/35 | 55,235.57 | 59,056.91 | | | (267.91) | | 54,967.66 | 59,952.65 | 1,163.65 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/30/05 | 08/20/35 | 194,568.88 | 208,029.67 | | | (1,042.73) | | 193,526.15 | 211,939.36 | 4,952.42 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 10/27/05 | 10/20/35 | 543,614.41 | 581,253.53 | | | (2,447.04) | | 541,167.37 | 589,714.57 | 10,908.08 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 10/27/05 | 09/20/35 | 201,841.37 | 210,383.75 | | | (1,022.44) | | 200,818.93 | 216,120.04 | 6,758.73 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/29/05 | 09/20/35 | 139,342.36 | 148,986.49 | | | (1,012.48) | | 138,329.88 | 151,277.95 | 3,303.94 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/29/05 | 09/20/35 | 161,304.23 | 172,468.37 | | | (734.06) | | 160,570.17 | 174,970.24 | 3,235.93 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/29/05 | 09/20/35 | 194,844.03 | 203,085.97 | | | (1,079.38) | | 193,764.65 | 208,523.85 | 6,517.26 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/08/05 | 12/20/35 | 362,009.95 | 386,174.41 | | | (2,030.55) | | 359,979.40 | 391,373.72 | 7,229.86 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/15/05 | 12/20/35 | 1,179,313.82 | 1,258,040.35 | | | (6,180.10) | | 1,173,133.72 | 1,275,450.85 | 23,590.60 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/03/05 | 11/20/35 | 173,276.97 | 185,276.11 | | | (885.35) | | 172,391.62 | 188,046.19 | 3,655.43 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/17/05 | 10/20/35 | 231,652.25 | 241,461.17 | | | (1,166.66) | | 230,485.59 | 248,052.11 | 7,757.60 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/17/05 | 11/20/35 | 786,970.69 | 841,476.49 | | | (3,616.74) | | 783,353.95 | 853,644.57 | 15,784.82 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/22/05 | 11/20/35 | 159,018.49 | 170,032.83 | | | (709.02) | | 158,309.47 | 172,515.32 | 3,191.51 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/29/05 | 10/20/35 | 118,367.04 | 123,380.21 | | | (580.72) | | 117,786.32 | 126,764.59 | 3,965.10 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/29/05 | 11/20/35 | 1,416,029.71 | 1,514,118.02 | | | (102,012.01) | | 1,314,017.70 | 1,431,937.93 | 19,831.92 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/22/05 | 12/20/35 | 1,090,300.70 | 1,163,090.92 | | | (5,508.93) | | 1,084,791.77 | 1,179,409.92 | 21,827.93 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/29/05 | 12/20/35 | 1,014,962.38 | 1,082,729.43 | | | (151,198.60) | | 863,763.78 | 939,108.99 | 7,578.16 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 12/29/05 | 11/20/35 | 201,634.19 | 209,518.87 | | | (1,007.73) | | 200,626.46 | 215,107.84 | 6,596.70 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/05/06 | 01/20/36 | 974,322.90 | 1,039,543.14 | | | (4,420.04) | | 969,902.86 | 1,053,968.40 | 18,845.30 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/12/06 | 01/20/36 | 110,858.86 | 116,277.43 | | | (506.07) | | 110,352.79 | 118,638.21 | 2,866.85 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/12/06 | 01/20/36 | 630,780.53 | 673,007.78 | | | (2,876.56) | | 627,903.97 | 682,330.47 | 12,199.25 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 01/12/06 | 12/20/35 | 84,587.31 | 88,173.46 | | | (785.86) | | 83,801.45 | 90,192.95 | 2,805.35 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/09/06 | 03/20/36 | 2,436,287.96 | 2,593,375.44 | | | (207,594.95) | | 2,228,693.01 | 2,416,359.15 | 30,578.66 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/02/06 | 03/20/36 | 667,175.27 | 710,189.25 | | | (4,042.92) | | 663,132.35 | 718,967.52 | 12,821.19 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/02/06 | 01/20/36 | 187,028.87 | 196,162.71 | | | (64,545.48) | | 122,483.39 | 131,153.58 | (463.65) | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/19/06 | 01/20/36 | 823,626.78 | 878,769.29 | | | (3,920.35) | | 819,706.43 | 890,763.67 | 15,914.73 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/26/06 | 01/20/36 | 1,052,778.45 | 1,120,614.51 | | | (4,933.01) | | 1,047,845.44 | 1,136,032.98 | 20,351.48 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/26/06 | 01/20/36 | 195,150.47 | 204,686.62 | | | (999.78) | | 194,150.69 | 209,410.71 | 5,723.87 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/09/06 | 01/20/36 | 2,867,980.08 | 2,995,266.70 | | | (15,460.26) | | 2,852,519.82 | 3,034,893.98 | 55,087.54 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 02/09/06 | 01/20/36 | 164,565.54 | 170,967.76 | | | (1,235.24) | | 163,330.30 | 175,540.05 | 5,807.53 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/09/06 | 02/20/36 | 1,056,111.61 | 1,126,841.95 | | | (5,077.76) | | 1,051,033.85 | 1,142,167.06 | 20,402.87 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/09/06 | 01/20/36 | 112,161.97 | 117,641.55 | | | (531.02) | | 111,630.95 | 120,157.90 | 3,047.37 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/16/06 | 02/20/36 | 2,848,538.81 | 3,032,146.27 | | | (14,094.79) | | 2,834,444.02 | 3,073,055.09 | 55,003.61 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/23/06 | 02/20/36 | 1,764,217.79 | 1,882,390.69 | | | (156,746.63) | | 1,607,471.16 | 1,746,869.63 | 21,225.57 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/23/06 | 02/20/36 | 1,021,655.92 | 1,090,089.63 | | | (4,547.29) | | 1,017,108.63 | 1,105,311.36 | 19,769.02 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/11/06 | 05/20/36 | 447,492.31 | 476,372.23 | | | (2,485.51) | | 445,006.80 | 482,505.65 | 8,618.93 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/11/06 | 05/20/36 | 391,731.05 | 417,999.97 | | | (1,781.23) | | 389,949.82 | 423,796.29 | 7,577.55 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/18/06 | 05/20/36 | 671,170.52 | 714,490.30 | | | (3,246.03) | | 667,924.49 | 724,211.29 | 12,967.02 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/16/06 | 03/20/36 | 620,492.60 | 660,504.18 | | | (2,791.51) | | 617,701.09 | 669,717.70 | 12,005.03 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 03/23/06 | 02/20/36 | 280,044.86 | 290,950.23 | | | (1,333.53) | | 278,711.33 | 299,557.27 | 9,940.57 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/23/06 | 03/20/36 | 1,165,470.80 | 1,243,569.09 | | | (6,329.81) | | 1,159,140.99 | 1,259,692.42 | 22,453.14 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/30/06 | 03/20/36 | 144,919.00 | 151,991.81 | | | (2,761.64) | | 142,157.36 | 151,878.71 | 2,648.54 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 A/B Single Family | 5.00 | 03/30/06 | 03/20/36 | 923,059.44 | 984,919.64 | | | (4,147.90) | | 918,911.54 | 998,629.92 | 17,858.18 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/06/06 | 04/20/36 | 894,377.49 | 952,069.35 | | | (148,446.23) | | 745,931.26 | 808,762.48 | 5,139.36 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/13/06 | 04/20/36 | 564,830.28 | 602,691.77 | | | (2,533.72) | | 562,296.56 | 611,086.16 | 10,928.11 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/20/06 | 04/20/36 | 221,606.64 | 232,417.39 | | | (58,390.16) | | 163,216.48 | 174,374.33 | 347.10 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/20/06 | 04/20/36 | 1,072,872.59 | 1,144,795.85 | | | (81,737.58) | | 991,135.01 | 1,077,140.73 | 14,082.46 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/27/06 | 04/20/36 | 1,194,984.26 | 1,272,087.26 | | | (25,504.25) | | 1,169,480.01 | 1,268,007.95 | 21,424.94 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/05/06 | 05/20/36 | 994,170.82 | 1,060,834.10 | | | (5,254.75) | | 988,916.07 | 1,074,745.48 | 19,166.13 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/05/06 | 05/20/36 | 176,145.90 | 184,735.99 | | | (1,089.69) | | 175,056.21 | 188,466.01 | 4,819.71 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 05/25/06 | 04/20/36 | 59,127.27 | 61,433.25 | | | (276.21) | | 58,851.06 | 63,256.28 | 2,099.24 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/25/06 | 05/20/36 | 430,779.11 | 458,585.51 | | | (1,909.50) | | 428,869.61 | 465,013.34 | 8,337.33 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/25/06 | 05/20/36 | 133,004.47 | 139,488.47 | | | (1,110.76) | | 131,893.71 | 142,082.48 | 3,704.77 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/01/06 | 05/20/36 | 1,012,177.81 | 1,080,071.47 | | | (6,200.56) | | 1,005,977.25 | 1,093,310.64 | 19,439.73 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/08/06 | 06/20/36 | 386,437.06 | 412,361.73 | | | (2,215.03) | | 384,222.03 | 417,581.82 | 7,435.12 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/15/06 | 05/20/36 | 216,866.41 | 226,995.46 | | | (978.08) | | 215,888.33 | 230,194.65 | 4,177.27 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/15/06 | 06/20/36 | 541,582.82 | 576,553.11 | | | (2,332.88) | | 539,249.94 | 584,707.95 | 10,487.72 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/27/06 | 06/20/36 | 834,192.06 | 890,167.63 | | | (7,378.35) | | 826,813.71 | 898,613.93 | 15,824.65 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 06/27/06 | 06/20/36 | 257,345.28 | 269,882.63 | | | (1,177.98) | | 256,167.30 | 273,662.37 | 4,957.72 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/06/06 | 07/20/36 | 1,164,235.30 | 1,242,371.09 | | | (5,140.27) | | 1,159,095.03 | 1,259,764.45 | 22,533.63 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/06/06 | 06/20/36 | 176,931.32 | 183,838.90 | | | (837.62) | | 176,093.70 | 189,282.58 | 6,281.30 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/13/06 | 06/20/36 | 484,712.19 | 517,243.91 | | | (107,862.79) | | 376,849.40 | 409,580.25 | 199.13 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/19/06 | 07/20/36 | 714,140.23 | 762,076.31 | | | (3,093.25) | | 711,046.98 | 772,810.46 | 13,827.40 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/19/06 | 06/20/36 | 65,130.04 | 68,301.83 | | | (295.02) | | 64,835.02 | 69,578.63 | 1,571.82 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 07/27/06 | 07/20/36 | 128,630.96 | 136,941.70 | | | (567.16) | | 128,063.80 | 138,864.44 | 2,489.90 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/09/06 | 08/20/36 | 393,780.44 | 420,221.09 | | | (1,682.59) | | 392,097.85 | 426,165.11 | 7,626.61 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/16/06 | 06/20/36 | 58,942.38 | 61,811.43 | | | (290.47) | | 58,651.91 | 63,035.30 | 1,514.34 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 08/23/06 | 08/20/36 | 725,939.96 | 774,691.51 | | | (3,114.72) | | 722,825.24 | 785,636.35 | 14,059.56 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/06/06 | 08/20/36 | 620,026.01 | 660,108.64 | | | (2,799.75) | | 617,226.26 | 669,305.46 | 11,996.57 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/12/06 | 08/20/36 | 501,750.12 | 535,454.51 | | | (2,544.55) | | 499,205.57 | 542,593.06 | 9,683.10 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 09/20/06 | 08/20/36 | 119,013.78 | 123,668.43 | | | (548.89) | | 118,464.89 | 127,346.03 | 4,226.49 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/20/06 | 08/20/36 | 61,378.80 | 63,549.82 | | | (346.73) | | 61,032.07 | 64,774.92 | 1,571.83 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/20/06 | 08/20/36 | 488,492.27 | 520,077.47 | | | (2,112.89) | | 486,379.38 | 527,424.07 | 9,459.49 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 09/26/06 | 09/20/36 | 218,430.43 | 233,106.50 | | | (994.29) | | 217,436.14 | 236,337.52 | 4,225.31 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 10/17/06 | 10/20/36 | 779,413.86 | 831,798.49 | | | (10,991.55) | | 768,422.31 | 835,236.95 | 14,430.01 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/14/06 | 10/20/36 | 682,503.56 | 728,390.96 | | | (2,910.27) | | 679,593.29 | 738,700.59 | 13,219.90 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 11/14/06 | 10/20/36 | 182,280.60 | 189,419.18 | | | (873.23) | | 181,407.37 | 195,017.05 | 6,471.10 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/14/06 | 10/20/36 | 63,697.69 | 66,792.37 | | | (279.47) | | 63,418.22 | 67,964.50 | 1,451.60 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 11/28/06 | 11/20/36 | 536,792.76 | 572,891.54 | | | (2,525.98) | | 534,266.78 | 580,742.56 | 10,377.00 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 12/12/06 | 11/20/36 | 98,137.03 | 104,737.81 | | | (405.11) | | 97,731.92 | 106,516.71 | 2,184.01 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 01/09/07 | 08/20/36 | 70,687.59 | 74,118.94 | | | (309.08) | | 70,378.51 | 75,487.11 | 1,677.25 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 02/13/07 | 01/20/37 | 409,173.23 | 436,533.50 | | | (1,892.95) | | 407,280.28 | 442,521.72 | 7,881.17 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 03/20/07 | 03/20/36 | 79,395.31 | 84,740.13 | | | (343.94) | | 79,051.37 | 86,262.72 | 1,866.53 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 04/10/07 | 02/20/37 | 193,547.27 | 206,499.23 | | | (923.22) | | 192,624.05 | 209,301.70 | 3,725.69 | 0.00 |
| GNMA | 2004 A/B Single Family | 5.00 | 05/08/07 | 04/20/37 | 70,054.23 | 73,415.15 | | | (295.12) | | 69,759.11 | 74,793.40 | 1,673.37 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 07/03/07 | 05/20/37 | 195,618.46 | 203,364.65 | | | (980.29) | | 194,638.17 | 209,159.81 | 6,775.45 | 0.00 |
| GNMA | 2004 A/B Single Family | 4.49 | 08/23/07 | 08/20/37 | 383,322.16 | 398,502.74 | | | (1,730.77) | | 381,591.39 | 410,062.98 | 13,291.01 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 08/05/04 | 07/01/34 | 296,752.76 | 307,189.72 | | | (2,048.44) | | 294,704.32 | 313,363.74 | 8,222.46 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 08/12/04 | 08/01/34 | 193,012.72 | 199,802.09 | | | (2,054.57) | | 190,958.15 | 203,049.82 | 5,302.30 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 08/26/04 | 08/01/34 | 230,575.46 | 238,687.33 | | | (1,733.28) | | 228,842.18 | 243,333.93 | 6,379.88 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 09/02/04 | 08/01/34 | 227,894.57 | 235,912.59 | | | (1,208.16) | | 226,686.41 | 241,042.12 | 6,337.69 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 10/28/04 | 10/01/34 | 173,981.18 | 180,106.88 | | | (921.21) | | 173,059.97 | 184,024.22 | 4,838.55 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 10/28/04 | 10/01/34 | 165,627.43 | 174,972.28 | | | (808.33) | | 164,819.10 | 177,170.56 | 3,006.61 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 11/10/04 | 10/01/34 | 324,976.90 | 336,420.70 | | | (3,829.94) | | 321,146.96 | 341,495.00 | 8,904.24 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 11/23/04 | 11/01/34 | 258,153.07 | 273,037.77 | | | (1,325.75) | | 256,827.32 | 275,097.45 | 3,385.43 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 02/10/05 | 01/01/35 | 144,627.89 | 149,374.04 | | | (767.19) | | 143,860.70 | 152,620.89 | 4,014.04 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 02/10/05 | 02/01/35 | 305,572.31 | 322,828.22 | | | (136,709.25) | | 168,863.06 | 181,526.13 | (4,592.84) | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/29/05 | 04/01/35 | 209,548.99 | 220,991.55 | | | (1,452.89) | | 208,096.10 | 223,054.19 | 3,515.53 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 04/21/05 | 04/01/35 | 322,336.12 | 332,924.67 | | | (2,021.49) | | 320,314.63 | 339,830.64 | 8,927.46 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 06/10/05 | 05/01/35 | 152,071.78 | 157,070.40 | | | (778.28) | | 151,293.50 | 160,514.67 | 4,222.55 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 06/29/05 | 06/01/35 | 275,113.62 | 290,147.45 | | | (1,485.89) | | 273,627.73 | 293,307.47 | 4,645.91 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 07/14/05 | 04/01/35 | 142,967.11 | 147,667.95 | | | (882.23) | | 142,084.88 | 150,746.31 | 3,960.59 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2004 A/B Single Family | 5.00 | 07/14/05 | 07/01/35 | 70,623.13 | 74,682.23 | | | (324.64) | | 70,298.49 | 76,134.94 | 1,777.35 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 09/22/05 | 09/01/35 | 259,142.04 | 273,313.24 | | | (1,185.61) | | 257,956.43 | 276,519.33 | 4,391.70 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 10/06/05 | 09/01/35 | 368,695.25 | 380,834.21 | | | (140,301.05) | | 228,394.20 | 242,327.23 | 1,794.07 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 10/20/05 | 09/01/35 | 218,048.74 | 229,975.29 | | | (1,993.81) | | 216,054.93 | 231,605.10 | 3,623.62 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 11/17/05 | 10/01/35 | 298,177.87 | 314,491.01 | | | (118,086.47) | | 180,091.40 | 193,055.49 | (3,349.05) | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 12/15/05 | 12/01/35 | 285,909.03 | 301,555.19 | | | (1,336.08) | | 284,572.95 | 305,062.55 | 4,843.44 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 12/29/05 | 12/01/35 | 385,454.46 | 398,159.99 | | | (2,233.80) | | 383,220.66 | 406,613.88 | 10,687.69 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 12/29/05 | 12/01/35 | 894,419.70 | 943,371.79 | | | (4,603.24) | | 889,816.46 | 953,890.04 | 15,121.49 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 01/12/06 | 01/01/36 | 205,140.53 | 216,369.51 | | | (14,183.62) | | 190,956.91 | 204,708.71 | 2,522.82 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 01/12/06 | 12/01/35 | 119,380.52 | 123,793.29 | | | (559.79) | | 118,820.73 | 125,252.08 | 2,018.58 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 01/26/06 | 01/01/36 | 410,458.38 | 432,928.23 | | | (84,108.24) | | 326,350.14 | 349,854.07 | 1,034.08 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 02/09/06 | 01/01/36 | 284,453.31 | 299,492.63 | | | (1,742.41) | | 282,710.90 | 302,539.79 | 4,789.57 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 02/16/06 | 02/01/36 | 452,659.01 | 476,593.92 | | | (129,821.02) | | 322,837.99 | 345,483.05 | (1,289.85) | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 02/23/06 | 02/01/36 | 883,846.09 | 930,582.44 | | | (75,440.59) | | 808,405.50 | 865,111.84 | 9,969.99 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/09/06 | 02/01/36 | 363,301.52 | 383,196.38 | | | (1,656.37) | | 361,645.15 | 387,697.66 | 6,157.65 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/16/06 | 03/01/36 | 515,864.70 | 543,148.22 | | | (2,824.23) | | 513,040.47 | 549,033.65 | 8,709.66 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/23/06 | 03/01/36 | 315,256.69 | 331,930.95 | | | (1,391.25) | | 313,865.44 | 335,885.86 | 5,346.16 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/30/06 | 03/01/36 | 487,903.93 | 513,711.24 | | | (109,124.89) | | 378,779.04 | 405,354.94 | 768.59 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 04/13/06 | 03/01/36 | 207,823.28 | 218,817.03 | | | (912.81) | | 206,910.47 | 221,428.84 | 3,524.62 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 04/20/06 | 04/01/36 | 294,377.42 | 309,951.40 | | | (1,318.23) | | 293,059.19 | 313,623.96 | 4,990.79 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 04/27/06 | 03/01/36 | 291,919.55 | 302,128.22 | | | (1,433.79) | | 290,485.76 | 305,626.13 | 4,931.70 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 05/05/06 | 04/01/36 | 270,361.34 | 284,666.18 | | | (1,445.49) | | 268,915.85 | 287,787.87 | 4,567.18 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 05/11/06 | 05/01/36 | 234,042.47 | 246,426.66 | | | (1,962.45) | | 232,080.02 | 248,368.21 | 3,904.00 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 06/27/06 | 06/01/36 | 316,685.83 | 333,449.74 | | | (1,409.37) | | 315,276.46 | 337,410.11 | 5,369.74 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 08/09/06 | 07/01/36 | 251,489.79 | 264,807.30 | | | (73,650.46) | | 177,839.33 | 190,327.78 | (829.06) | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 08/23/06 | 06/01/36 | 73,969.57 | 76,185.94 | | | (347.59) | | 73,621.98 | 77,981.97 | 2,143.62 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 09/20/06 | 07/01/36 | 183,949.06 | 193,693.10 | | | (918.82) | | 183,030.24 | 195,886.37 | 3,112.09 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 10/17/06 | 09/01/36 | 400,854.94 | 422,094.72 | | | (3,790.30) | | 397,064.64 | 424,960.18 | 6,655.76 | 0.00 |
| FNMA | 2004 A/B Single Family | | | | 59,644.40 | 62,025.51 | | | (59,644.40) | | | | (2,381.11) | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 11/28/06 | 10/01/36 | 113,477.38 | 119,492.15 | | | (481.34) | | 112,996.04 | 120,936.70 | 1,925.89 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 12/27/06 | 11/01/36 | 250,598.78 | 263,885.01 | | | (1,380.98) | | 249,217.80 | 266,734.76 | 4,230.73 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 02/13/07 | 02/01/37 | 463,486.25 | 488,070.61 | | | (1,943.99) | | 461,542.26 | 493,994.43 | 7,867.81 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 03/20/07 | 01/01/37 | 141,099.53 | 145,851.55 | | | (1,169.01) | | 139,930.52 | 146,834.79 | 2,152.25 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 05/08/07 | 02/01/37 | 69,044.15 | 73,094.51 | | | (549.89) | | 68,494.26 | 74,466.97 | 1,922.35 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 05/22/07 | 04/01/37 | 119,274.14 | 122,508.68 | | | (525.00) | | 118,749.14 | 125,570.61 | 3,586.93 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 08/23/07 | 07/01/36 | 81,301.08 | 84,521.25 | | | (386.99) | | 80,914.09 | 86,267.66 | 2,133.40 | 0.00 |
| FNMA | 2004 A/B Single Family | 5.00 | 08/23/07 | 08/01/37 | 186,619.60 | 196,368.20 | | | (832.64) | | 185,786.96 | 198,421.10 | 2,885.54 | 0.00 |
| FNMA | 2004 A/B Single Family | 4.49 | 08/23/07 | 08/01/37 | 697,261.63 | 716,199.84 | | | (5,835.78) | | 691,425.85 | 731,175.21 | 20,811.15 | 0.00 |
| | **2004 A/B Single Family Total** | | | | 121,362,182.95 | 127,542,555.60 | 3,855,050.67 | (2,445,747.99) | (3,550,121.38) | 0.00 | 119,221,364.25 | 128,122,032.88 | 2,720,295.98 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2004 CDEF Single Family | 0.20 | 08/31/10 | 09/01/10 | 0.02 | 0.02 | 0.00 | | | | 0.02 | 0.02 | - | 0.00 |
| Repo Agmt | 2004 CDEF Single Family | 0.20 | 08/31/10 | 09/01/10 | 308,813.89 | 308,813.89 | 1,650,116.13 | | | | 1,958,930.02 | 1,958,930.02 | - | 0.00 |
| Repo Agmt | 2004 CDEF Single Family | 0.20 | 08/31/10 | 09/01/10 | 485.19 | 485.19 | 0.14 | | | | 485.33 | 485.33 | - | 0.00 |
| GIC's | 2004 CDEF Single Family | 3.80 | 12/16/04 | 03/01/36 | 1,149,996.25 | 1,149,996.25 | | (808,483.43) | | | 341,512.82 | 341,512.82 | - | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/11/05 | 07/20/35 | 22,492.35 | 23,403.66 | | | (123.92) | | 22,368.43 | 24,015.26 | 735.52 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/30/05 | 08/20/35 | 9,429.26 | 9,811.52 | | | (49.26) | | 9,380.00 | 10,070.81 | 308.55 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/27/05 | 10/20/35 | 29,490.70 | 30,688.17 | | | (146.03) | | 29,344.67 | 31,507.77 | 965.63 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/27/05 | 10/20/35 | 18,194.05 | 18,932.82 | | | (150.28) | | 18,043.77 | 19,373.84 | 591.30 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/29/05 | 09/20/35 | 107,110.47 | 111,456.28 | | | (560.08) | | 106,550.39 | 114,401.08 | 3,504.88 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/06/05 | 09/20/35 | 30,273.40 | 31,501.86 | | | (151.74) | | 30,121.66 | 32,341.24 | 991.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/20/05 | 10/20/35 | 18,556.24 | 19,309.61 | | | (98.47) | | 18,457.77 | 19,818.24 | 607.10 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/08/05 | 12/20/35 | 20,316.90 | 21,142.85 | | | (102.25) | | 20,214.65 | 21,705.75 | 665.15 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/15/05 | 12/20/35 | 28,677.50 | 29,937.63 | | | (157.07) | | 28,520.43 | 30,740.75 | 960.19 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/03/05 | 11/20/35 | 5,322.24 | 5,555.87 | | | (34.79) | | 5,287.45 | 5,698.85 | 177.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/10/05 | 11/20/35 | 32,318.66 | 33,737.61 | | | (170.88) | | 32,147.78 | 34,649.28 | 1,082.55 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/17/05 | 11/20/35 | 25,894.89 | 26,946.96 | | | (138.98) | | 25,755.91 | 27,655.11 | 847.13 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/22/05 | 11/20/35 | 14,990.02 | 15,599.14 | | | (78.65) | | 14,911.37 | 16,011.01 | 490.52 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/29/05 | 11/20/35 | 22,569.96 | 23,561.30 | | | (116.95) | | 22,453.01 | 24,200.52 | 756.17 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/22/05 | 12/20/35 | 26,253.71 | 27,407.54 | | | (136.70) | | 26,117.01 | 28,150.43 | 879.59 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/29/05 | 12/20/35 | 38,475.25 | 40,040.16 | | | (199.34) | | 38,275.91 | 41,100.05 | 1,259.23 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 CDEF Single Family | 4.49 | 01/05/06 | 01/20/36 | 31,039.82 | 32,192.65 | | | (1,994.51) | | 29,045.31 | 31,143.29 | 945.15 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/12/06 | 01/20/36 | 30,902.52 | 32,152.52 | | | (148.90) | | 30,753.62 | 33,101.29 | 1,097.67 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/09/06 | 02/20/36 | 21,772.20 | 22,582.19 | | | (121.19) | | 21,651.01 | 23,216.29 | 755.29 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/02/06 | 02/20/36 | 29,086.95 | 30,168.92 | | | (150.33) | | 28,936.62 | 31,028.46 | 1,009.87 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/19/06 | 01/20/36 | 15,821.75 | 16,409.56 | | | (88.29) | | 15,733.46 | 16,870.11 | 548.84 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/26/06 | 01/20/36 | 22,656.94 | 23,498.83 | | | (112.29) | | 22,544.65 | 24,173.50 | 786.96 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/02/06 | 02/20/36 | 48,390.78 | 50,189.50 | | | (254.98) | | 48,135.80 | 51,614.24 | 1,679.72 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/09/06 | 02/20/36 | 21,939.25 | 22,754.94 | | | (114.12) | | 21,825.13 | 23,402.46 | 761.64 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/16/06 | 02/20/36 | 34,379.45 | 35,657.83 | | | (204.28) | | 34,175.17 | 36,645.26 | 1,191.71 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/23/06 | 02/20/36 | 34,628.45 | 35,916.33 | | | (167.01) | | 34,461.44 | 36,952.47 | 1,203.15 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/11/06 | 04/20/36 | 18,251.33 | 18,931.65 | | | (92.02) | | 18,159.31 | 19,473.50 | 633.87 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/11/06 | 05/20/36 | 8,193.04 | 8,525.53 | | | (54.73) | | 8,138.31 | 8,760.69 | 289.89 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/18/06 | 05/20/36 | 18,562.27 | 19,254.32 | | | (96.43) | | 18,465.84 | 19,802.38 | 644.49 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/18/06 | 05/20/36 | 7,343.67 | 7,641.72 | | | (39.43) | | 7,304.24 | 7,862.87 | 260.58 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/16/06 | 03/20/36 | 13,175.77 | 13,709.61 | | | (66.95) | | 13,108.82 | 14,110.43 | 467.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/23/06 | 03/20/36 | 29,526.05 | 30,625.02 | | | (151.96) | | 29,374.09 | 31,498.24 | 1,025.18 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/30/06 | 03/20/36 | 23,951.65 | 24,843.35 | | | (122.00) | | 23,829.65 | 25,553.09 | 831.74 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/06/06 | 03/20/36 | 28,009.20 | 29,052.10 | | | (172.50) | | 27,836.70 | 29,850.07 | 970.47 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/13/06 | 03/20/36 | 21,059.97 | 21,844.30 | | | (193.47) | | 20,866.50 | 22,375.90 | 725.07 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/20/06 | 04/20/36 | 28,116.62 | 29,164.07 | | | (2,175.50) | | 25,941.12 | 27,817.91 | 829.34 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/27/06 | 04/20/36 | 13,118.10 | 13,606.88 | | | (93.43) | | 13,024.67 | 13,967.07 | 453.62 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/05/06 | 04/20/36 | 23,186.57 | 24,127.27 | | | (128.96) | | 23,057.61 | 24,820.70 | 822.39 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/25/06 | 05/20/36 | 21,017.85 | 21,801.65 | | | (117.02) | | 20,900.83 | 22,413.80 | 729.17 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/01/06 | 06/20/36 | 25,100.78 | 26,120.02 | | | (2,376.92) | | 22,723.86 | 24,462.26 | 719.16 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/08/06 | 06/20/36 | 31,005.21 | 32,161.99 | | | (159.13) | | 30,846.08 | 33,079.51 | 1,076.65 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/15/06 | 06/20/36 | 19,804.74 | 20,609.14 | | | (1,948.03) | | 17,856.71 | 19,222.95 | 561.84 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/27/06 | 06/20/36 | 34,063.22 | 35,447.19 | | | (194.49) | | 33,868.73 | 36,460.47 | 1,207.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/06/06 | 07/20/36 | 16,733.97 | 17,414.06 | | | (128.66) | | 16,605.31 | 17,876.24 | 590.84 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/13/06 | 06/20/36 | 25,184.18 | 26,207.84 | | | (132.21) | | 25,051.97 | 26,969.49 | 893.86 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/19/06 | 06/20/36 | 34,841.72 | 36,142.94 | | | (187.08) | | 34,654.64 | 37,165.17 | 1,209.31 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/27/06 | 07/20/36 | 25,191.98 | 26,216.38 | | | (118.21) | | 25,073.77 | 26,993.40 | 895.23 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/02/06 | 08/20/36 | 12,822.45 | 13,344.00 | | | (59.99) | | 12,762.46 | 13,739.69 | 455.68 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/09/06 | 08/20/36 | 30,059.31 | 31,282.14 | | | (159.94) | | 29,899.37 | 32,188.97 | 1,066.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/16/06 | 07/20/36 | 17,082.55 | 17,721.09 | | | (81.65) | | 17,000.90 | 18,233.10 | 593.66 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/23/06 | 07/20/36 | 11,236.83 | 11,694.05 | | | (68.42) | | 11,168.41 | 12,023.77 | 398.14 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/06/06 | 08/20/36 | 15,213.75 | 15,833.03 | | | (72.59) | | 15,141.16 | 16,301.02 | 540.58 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/12/06 | 08/20/36 | 9,547.41 | 9,936.10 | | | (46.10) | | 9,501.31 | 10,229.21 | 339.21 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/26/06 | 09/20/36 | 6,737.01 | 7,011.40 | | | (30.61) | | 6,706.40 | 7,220.29 | 239.50 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/17/06 | 10/20/36 | 18,138.68 | 18,877.90 | | | (88.95) | | 18,049.73 | 19,433.28 | 644.33 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/14/06 | 10/20/36 | 15,956.49 | 16,607.23 | | | (74.45) | | 15,882.04 | 17,099.90 | 567.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/28/06 | 10/20/36 | 4,589.20 | 4,776.40 | | | (21.05) | | 4,568.15 | 4,918.47 | 163.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/12/06 | 10/20/36 | 5,271.30 | 5,486.44 | | | (24.03) | | 5,247.27 | 5,649.81 | 187.40 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/16/07 | 12/20/36 | 2,394.53 | 2,492.33 | | | (10.73) | | 2,383.80 | 2,566.75 | 85.15 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/30/07 | 12/20/36 | 2,735.25 | 2,848.36 | | | (12.18) | | 2,723.07 | 2,933.49 | 97.31 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/13/07 | 01/20/37 | 6,621.54 | 6,893.75 | | | (29.51) | | 6,592.03 | 7,094.05 | 229.81 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/20/07 | 02/20/37 | 4,811.92 | 5,009.77 | | | (21.75) | | 4,790.17 | 5,154.99 | 166.97 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/20/07 | 01/20/37 | 3,303.92 | 3,439.85 | | | (14.73) | | 3,289.19 | 3,539.78 | 114.66 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/24/07 | 03/20/37 | 5,948.17 | 6,193.13 | | | (25.99) | | 5,922.18 | 6,373.63 | 206.49 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/10/07 | 02/20/37 | 5,705.77 | 5,940.64 | | | (25.35) | | 5,680.42 | 6,113.33 | 198.04 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/22/07 | 04/20/37 | 5,449.01 | 5,655.47 | | | (23.73) | | 5,425.28 | 5,816.60 | 184.86 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/05/07 | 05/20/37 | 6,865.50 | 7,148.52 | | | (30.50) | | 6,835.00 | 7,356.32 | 238.30 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/03/07 | 06/20/37 | 2,513.46 | 2,617.18 | | | (10.79) | | 2,502.67 | 2,693.66 | 87.27 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/21/07 | 09/20/37 | 5,043.30 | 5,254.58 | | | (21.26) | | 5,022.04 | 5,408.53 | 175.21 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/25/07 | 04/20/37 | 2,432.03 | 2,533.73 | | | (18.16) | | 2,413.87 | 2,599.43 | 83.86 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/11/07 | 08/20/37 | 2,945.14 | 3,068.58 | | | (12.48) | | 2,932.66 | 3,158.40 | 102.30 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/30/08 | 01/20/38 | 4,339.10 | 4,500.28 | | | (17.93) | | 4,321.17 | 4,651.70 | 169.35 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/30/08 | 01/20/38 | 2,575.11 | 2,662.17 | | | (10.62) | | 2,564.49 | 2,750.00 | 98.45 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/26/08 | 03/20/38 | 7,840.12 | 8,131.89 | | | (32.30) | | 7,807.82 | 8,405.61 | 306.02 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 10/20/05 | 10/01/35 | 3,334.59 | 3,445.14 | | | (16.73) | | 3,317.86 | 3,521.04 | 92.63 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/10/05 | 11/01/35 | 2,416.60 | 2,496.77 | | | (20.50) | | 2,396.10 | 2,542.88 | 66.61 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2004 CDEF Single Family | 4.49 | 12/15/05 | 12/01/35 | 4,102.63 | 4,238.73 | | | (32.16) | | 4,070.47 | 4,319.82 | 113.25 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/05/06 | 12/01/35 | 7,186.52 | 7,425.03 | | | (40.83) | | 7,145.69 | 7,583.52 | 199.32 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 02/09/06 | 02/01/36 | 3,882.59 | 3,999.47 | | | (31.23) | | 3,851.36 | 4,079.99 | 111.75 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 02/23/06 | 01/01/36 | 5,091.48 | 5,244.74 | | | (25.18) | | 5,066.30 | 5,367.04 | 147.48 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 03/16/06 | 03/01/36 | 7,863.57 | 8,100.42 | | | (53.80) | | 7,809.77 | 8,273.52 | 226.90 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/06/06 | 03/01/36 | 5,564.97 | 5,732.63 | | | (26.43) | | 5,538.54 | 5,867.47 | 161.27 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/20/06 | 04/01/36 | 7,837.59 | 8,073.79 | | | (38.36) | | 7,799.23 | 8,262.49 | 227.06 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 05/11/06 | 04/01/36 | 6,077.07 | 6,260.21 | | | (37.87) | | 6,039.20 | 6,397.92 | 175.58 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 06/08/06 | 04/01/36 | 5,774.65 | 5,948.79 | | | (2,933.79) | | 2,840.86 | 3,009.66 | (5.34) | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 06/27/06 | 06/01/36 | 3,493.12 | 3,598.52 | | | (16.44) | | 3,476.68 | 3,683.32 | 101.24 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 07/13/06 | 06/01/36 | 7,328.64 | 7,549.74 | | | (38.39) | | 7,290.25 | 7,723.53 | 212.18 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 07/19/06 | 07/01/36 | 6,592.47 | 6,791.42 | | | (33.22) | | 6,559.25 | 6,949.14 | 190.94 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 08/02/06 | 07/01/36 | 7,449.27 | 7,674.10 | | | (34.84) | | 7,414.43 | 7,855.17 | 215.91 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 08/09/06 | 07/01/36 | 4,389.15 | 4,521.64 | | | (1,789.36) | | 2,599.79 | 2,754.35 | 22.07 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 09/12/06 | 08/01/36 | 5,846.26 | 6,022.83 | | | (27.45) | | 5,818.81 | 6,164.83 | 169.45 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 10/17/06 | 09/01/36 | 4,330.63 | 4,461.47 | | | (31.88) | | 4,298.75 | 4,554.42 | 124.83 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/14/06 | 10/01/36 | 8,247.32 | 8,496.65 | | | (761.42) | | 7,485.90 | 7,931.29 | 196.06 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/21/06 | 10/01/36 | 5,668.06 | 5,839.43 | | | (138.48) | | 5,529.58 | 5,858.59 | 157.64 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 12/12/06 | 11/01/36 | 6,472.93 | 6,668.65 | | | (38.74) | | 6,434.19 | 6,817.05 | 187.14 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/30/07 | 11/01/36 | 1,110.56 | 1,144.19 | | | (9.10) | | 1,101.46 | 1,167.05 | 31.96 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 02/13/07 | 01/01/37 | 1,221.78 | 1,255.19 | | | (5.48) | | 1,216.30 | 1,286.45 | 36.74 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 03/20/07 | 02/01/37 | 3,425.02 | 3,518.71 | | | (15.59) | | 3,409.43 | 3,606.10 | 102.98 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/10/07 | 01/01/37 | 4,620.16 | 4,746.61 | | | (20.95) | | 4,599.21 | 4,864.59 | 138.93 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/24/07 | 04/01/37 | 7,850.04 | 8,065.04 | | | (34.73) | | 7,815.31 | 8,266.42 | 236.11 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 05/22/07 | 04/01/37 | 4,760.63 | 4,891.06 | | | (20.95) | | 4,739.68 | 5,013.30 | 143.19 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 06/05/07 | 05/01/37 | 5,597.78 | 5,751.18 | | | (24.57) | | 5,573.21 | 5,894.98 | 168.37 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 07/03/07 | 06/01/37 | 11,319.31 | 11,629.69 | | | (49.99) | | 11,269.32 | 11,920.15 | 340.45 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 09/25/07 | 09/01/37 | 7,631.06 | 7,877.33 | | | (32.71) | | 7,598.35 | 8,074.78 | 230.16 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/08/07 | 09/01/37 | 7,474.00 | 7,752.68 | | | (39.94) | | 7,434.06 | 7,938.65 | 225.91 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/21/07 | 09/01/37 | 3,073.16 | 3,187.81 | | | (13.01) | | 3,060.15 | 3,267.93 | 93.13 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 12/11/07 | 11/01/37 | 6,851.36 | 7,107.14 | | | (31.43) | | 6,819.93 | 7,283.16 | 207.45 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 03/26/08 | 02/01/38 | 12,819.64 | 13,277.96 | | | (75.23) | | 12,744.41 | 13,592.39 | 389.66 | 0.00 |
| FNMA | 2004 CDEF Single Family | 6.10 | 06/30/94 | 06/01/24 | 134,915.46 | 149,075.40 | | | (2,265.37) | | 132,650.09 | 146,165.47 | (644.56) | 0.00 |
| FNMA | 2004 CDEF Single Family | 6.90 | 08/17/94 | 08/01/24 | 143,492.94 | 160,386.10 | | | (1,921.80) | | 141,571.14 | 159,828.33 | 1,364.03 | 0.00 |
| FNMA | 2004 CDEF Single Family | 6.97 | 08/17/94 | 07/01/24 | 286,600.76 | 320,826.83 | | | (3,999.83) | | 282,600.93 | 319,469.51 | 2,642.51 | 0.00 |
| FNMA | 2004 CDEF Single Family | 7.06 | 08/17/94 | 07/01/24 | 43,640.86 | 48,703.08 | | | (455.11) | | 43,185.75 | 48,596.37 | 348.40 | 0.00 |
| FNMA | 2004 CDEF Single Family | 6.90 | 05/26/95 | 01/01/25 | 61,907.33 | 69,449.52 | | | (638.28) | | 61,269.05 | 69,422.81 | 611.57 | 0.00 |
| FNMA | 2004 CDEF Single Family | 7.10 | 08/15/95 | 05/01/25 | 19,552.66 | 21,985.71 | | | (730.35) | | 18,822.31 | 21,358.24 | 102.88 | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.10 | 06/30/94 | 06/20/24 | 1,105,132.66 | 1,210,196.14 | | | (15,346.44) | | 1,089,786.22 | 1,209,968.08 | 15,118.38 | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.90 | 08/17/94 | 08/20/24 | 812,181.83 | 914,772.41 | | | (59,999.28) | | 752,182.55 | 850,596.66 | (4,176.47) | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.97 | 08/17/94 | 08/20/24 | 477,141.16 | 538,149.11 | | | (7,892.24) | | 469,248.92 | 531,323.16 | 1,066.29 | 0.00 |
| GNMA | 2004 CDEF Single Family | 7.06 | 08/17/94 | 08/20/24 | 110,775.45 | 124,477.65 | | | (3,418.81) | | 107,356.64 | 121,412.69 | 353.85 | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.10 | 01/27/95 | 10/20/24 | 217,614.84 | 238,447.75 | | | (2,796.89) | | 214,817.95 | 238,650.89 | 3,000.03 | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.97 | 02/16/95 | 12/20/24 | 455,507.36 | 514,065.11 | | | (64,353.92) | | 391,153.44 | 443,165.66 | (6,545.53) | 0.00 |
| GNMA | 2004 CDEF Single Family | 6.90 | 03/30/95 | 02/20/25 | 115,301.76 | 130,036.13 | | | (1,189.52) | | 114,112.24 | 129,226.89 | 380.28 | 0.00 |
| GNMA | 2004 CDEF Single Family | 7.06 | 03/30/95 | 12/20/24 | 61,859.03 | 69,520.46 | | | (1,519.27) | | 60,339.76 | 68,249.65 | 248.46 | 0.00 |
| GNMA | 2004 CDEF Single Family | 7.10 | 06/29/95 | 05/20/25 | 30,362.61 | 34,130.21 | | | (274.23) | | 30,088.38 | 34,053.93 | 197.95 | 0.00 |
| GNMA | 2004 CDEF Single Family | 7.06 | 08/15/95 | 06/20/25 | 30,391.44 | 34,124.35 | | | (273.35) | | 30,118.09 | 34,051.73 | 200.73 | 0.00 |
| GNMA | 2004 CDEF Single Family | 7.10 | 08/15/95 | 08/20/25 | 43,153.69 | 48,536.05 | | | (420.38) | | 42,733.31 | 48,392.46 | 276.79 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/24/05 | 02/20/35 | 1,667,423.82 | 1,734,678.46 | | | (9,528.17) | | 1,657,895.65 | 1,779,641.85 | 54,491.56 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/17/05 | 03/20/35 | 4,614,861.76 | 4,801,111.12 | | | (146,443.09) | | 4,468,418.67 | 4,796,669.48 | 142,001.45 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/24/05 | 03/20/35 | 1,679,476.78 | 1,747,268.70 | | | (9,381.63) | | 1,670,095.15 | 1,792,791.51 | 54,904.44 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/29/05 | 02/20/35 | 241,879.86 | 252,436.97 | | | (1,246.18) | | 240,633.68 | 259,293.38 | 8,102.59 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/07/05 | 04/20/35 | 1,724,762.70 | 1,794,415.19 | | | (9,212.46) | | 1,715,550.24 | 1,841,619.50 | 56,416.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/14/05 | 04/20/35 | 765,160.61 | 796,065.55 | | | (3,933.95) | | 761,226.66 | 817,171.27 | 25,039.67 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/21/05 | 04/20/35 | 249,385.20 | 260,277.79 | | | (101,291.53) | | 148,093.67 | 159,582.46 | 596.20 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/28/05 | 04/20/35 | 1,443,734.13 | 1,502,064.91 | | | (91,147.38) | | 1,352,586.75 | 1,452,009.56 | 41,092.03 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/05/05 | 05/20/35 | 476,919.15 | 496,193.96 | | | (2,403.36) | | 474,515.79 | 509,401.05 | 15,610.45 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/12/05 | 05/20/35 | 213,332.75 | 222,656.04 | | | (1,066.71) | | 212,266.04 | 228,738.47 | 7,149.14 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/19/05 | 05/20/35 | 175,811.16 | 183,495.74 | | | (1,025.78) | | 174,785.38 | 188,350.54 | 5,880.58 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 CDEF Single Family | 4.49 | 07/14/05 | 07/20/35 | 838,803.70 | 875,520.28 | | | (4,148.44) | | 834,655.26 | 899,486.74 | 28,114.90 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/26/05 | 05/20/35 | 782,110.49 | 813,734.57 | | | (4,046.09) | | 778,064.40 | 835,281.90 | 25,593.42 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/02/05 | 06/20/35 | 896,598.17 | 932,862.75 | | | (4,555.10) | | 892,043.07 | 957,652.98 | 29,345.33 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/08/05 | 09/20/35 | 400,779.89 | 418,347.98 | | | (2,115.81) | | 398,664.08 | 429,656.16 | 13,423.99 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/15/05 | 09/20/35 | 204,281.58 | 213,237.72 | | | (1,080.04) | | 203,201.54 | 218,999.72 | 6,842.04 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/22/05 | 09/20/35 | 388,044.20 | 403,785.84 | | | (1,917.84) | | 386,126.36 | 414,573.72 | 12,705.72 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/21/05 | 07/20/35 | 308,624.46 | 321,122.92 | | | (1,536.13) | | 307,088.33 | 329,690.71 | 10,103.92 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/28/05 | 07/20/35 | 799,735.49 | 834,752.07 | | | (4,727.87) | | 795,007.62 | 856,769.85 | 26,745.65 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/04/05 | 07/20/35 | 467,370.83 | 487,837.71 | | | (2,663.69) | | 464,707.14 | 500,812.66 | 15,638.64 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/04/05 | 08/20/35 | 2,675,594.77 | 2,783,996.81 | | | (15,269.29) | | 2,660,325.48 | 2,856,183.07 | 87,455.55 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/11/05 | 08/20/35 | 811,470.48 | 844,353.30 | | | (4,260.83) | | 807,209.65 | 866,643.03 | 26,550.56 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/11/05 | 08/20/35 | 303,155.01 | 315,439.61 | | | (1,506.07) | | 301,648.94 | 323,858.80 | 9,925.26 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/30/05 | 08/20/35 | 557,108.91 | 579,693.71 | | | (3,292.42) | | 553,816.49 | 594,603.19 | 18,201.90 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/27/05 | 10/20/35 | 767,697.31 | 798,869.23 | | | (3,733.09) | | 763,964.22 | 820,278.10 | 25,141.96 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/27/05 | 10/20/35 | 321,876.84 | 334,946.47 | | | (1,592.07) | | 320,284.77 | 343,893.84 | 10,539.44 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/29/05 | 09/20/35 | 367,821.11 | 383,951.82 | | | (2,696.46) | | 365,124.65 | 393,516.53 | 12,261.17 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/06/05 | 10/20/35 | 383,598.15 | 400,425.21 | | | (1,896.34) | | 381,701.81 | 411,387.71 | 12,858.84 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/20/05 | 10/20/35 | 886,215.54 | 925,102.76 | | | (4,601.85) | | 881,613.69 | 950,190.49 | 29,689.58 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/08/05 | 11/20/35 | 882,170.45 | 918,029.42 | | | (4,414.77) | | 877,755.68 | 942,497.42 | 28,882.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/15/05 | 12/20/35 | 461,890.37 | 480,670.91 | | | (2,258.58) | | 459,631.79 | 493,539.44 | 15,127.11 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/03/05 | 11/20/35 | 610,807.46 | 635,616.00 | | | (3,044.41) | | 607,763.05 | 652,570.83 | 19,999.24 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/10/05 | 10/20/35 | 990,492.00 | 1,030,722.85 | | | (4,847.45) | | 985,644.55 | 1,058,311.90 | 32,436.50 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/17/05 | 11/20/35 | 451,592.71 | 469,940.26 | | | (2,203.75) | | 449,388.96 | 482,526.32 | 14,789.81 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/22/05 | 11/20/35 | 521,322.30 | 542,505.65 | | | (2,931.86) | | 518,390.44 | 556,618.17 | 17,044.38 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/29/05 | 11/20/35 | 632,092.96 | 657,781.30 | | | (3,073.42) | | 629,019.54 | 675,409.46 | 20,701.58 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/22/05 | 12/20/35 | 680,110.02 | 707,767.59 | | | (3,461.29) | | 676,648.73 | 726,570.29 | 22,263.99 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/29/05 | 12/20/35 | 418,348.40 | 435,364.22 | | | (2,246.57) | | 416,101.83 | 446,803.61 | 13,685.96 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/05/06 | 01/20/36 | 300,074.59 | 311,219.54 | | | (1,559.39) | | 298,515.20 | 320,077.27 | 10,417.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/12/06 | 01/20/36 | 391,476.00 | 406,018.10 | | | (2,030.84) | | 389,445.16 | 417,577.70 | 13,590.44 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/09/06 | 02/20/36 | 700,513.07 | 728,888.81 | | | (3,323.36) | | 697,189.71 | 750,453.03 | 24,887.58 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/02/06 | 02/20/36 | 418,598.41 | 435,551.97 | | | (2,208.37) | | 416,390.04 | 448,198.34 | 14,854.74 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/19/06 | 01/20/36 | 315,135.75 | 326,844.03 | | | (1,563.75) | | 313,572.00 | 336,226.02 | 10,945.74 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/26/06 | 01/20/36 | 670,113.67 | 695,014.70 | | | (4,229.90) | | 665,883.77 | 713,994.92 | 23,210.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/02/06 | 01/20/36 | 723,980.01 | 750,887.99 | | | (3,926.73) | | 720,053.28 | 772,082.94 | 25,121.68 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/09/06 | 02/20/36 | 1,152,083.31 | 1,194,915.79 | | | (100,548.04) | | 1,051,535.27 | 1,127,529.72 | 33,161.97 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/16/06 | 02/20/36 | 286,163.11 | 296,803.96 | | | (114,658.03) | | 171,505.08 | 183,901.05 | 1,755.12 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/23/06 | 02/20/36 | 299,329.89 | 311,450.78 | | | (1,655.43) | | 297,674.46 | 320,412.06 | 10,616.71 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/11/06 | 05/20/36 | 806,031.15 | 836,078.26 | | | (4,108.89) | | 801,922.26 | 859,960.59 | 27,991.22 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/18/06 | 04/20/36 | 145,316.58 | 151,213.93 | | | (700.93) | | 144,615.65 | 155,675.19 | 5,162.19 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/18/06 | 04/20/36 | 236,637.70 | 246,241.11 | | | (1,158.43) | | 235,479.27 | 253,487.65 | 8,404.97 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/23/06 | 03/20/36 | 310,027.92 | 322,591.78 | | | (1,459.11) | | 308,568.81 | 332,148.29 | 11,015.62 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/06/06 | 03/20/36 | 194,306.65 | 202,183.57 | | | (114,161.93) | | 80,144.72 | 86,270.16 | (1,751.48) | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/20/06 | 04/20/36 | 189,896.65 | 197,598.19 | | | (910.28) | | 188,986.37 | 203,434.05 | 6,746.14 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 04/27/06 | 04/20/36 | 451,289.01 | 469,594.55 | | | (2,185.62) | | 449,103.39 | 483,439.48 | 16,030.55 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/05/06 | 04/20/36 | 565,128.79 | 588,056.13 | | | (2,655.84) | | 562,472.95 | 605,481.58 | 20,081.29 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 05/25/06 | 05/20/36 | 96,034.48 | 99,932.93 | | | (2,324.82) | | 93,709.66 | 100,877.27 | 3,269.16 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/01/06 | 05/20/36 | 613,302.26 | 636,176.99 | | | (2,859.06) | | 610,443.20 | 654,635.25 | 21,317.32 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/08/06 | 05/20/36 | 186,012.25 | 193,565.63 | | | (885.34) | | 185,126.91 | 199,289.40 | 6,609.11 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 06/15/06 | 06/20/36 | 104,713.57 | 108,966.88 | | | (490.54) | | 104,223.03 | 112,197.50 | 3,721.16 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/06/06 | 06/20/36 | 106,162.24 | 110,476.51 | | | (489.42) | | 105,672.82 | 113,760.39 | 3,773.30 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/13/06 | 06/20/36 | 272,719.43 | 283,804.33 | | | (1,502.36) | | 271,217.07 | 291,976.20 | 9,674.23 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/19/06 | 06/20/36 | 366,312.21 | 381,203.19 | | | (1,738.28) | | 364,573.93 | 392,480.64 | 13,015.73 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 07/27/06 | 07/20/36 | 203,958.27 | 212,251.96 | | | (1,091.64) | | 202,866.63 | 218,397.93 | 7,237.61 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/09/06 | 07/20/36 | 675,989.75 | 703,486.52 | | | (3,338.60) | | 672,651.15 | 724,157.52 | 24,009.60 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 08/16/06 | 06/20/36 | 193,944.36 | 201,833.70 | | | (897.91) | | 193,046.45 | 207,828.86 | 6,893.07 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/06/06 | 08/20/36 | 663,126.81 | 690,120.58 | | | (3,073.28) | | 660,053.53 | 710,616.81 | 23,569.51 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 09/12/06 | 09/20/36 | 102,478.38 | 106,651.02 | | | (471.83) | | 102,006.55 | 109,821.74 | 3,642.55 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 10/05/06 | 09/20/36 | 955,280.72 | 991,042.60 | | | (5,680.13) | | 949,600.59 | 1,018,481.21 | 33,118.74 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/02/06 | 10/20/36 | 849,729.99 | 884,374.27 | | | (4,437.67) | | 845,292.32 | 910,100.95 | 30,164.35 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/14/06 | 10/20/36 | 399,567.20 | 415,862.54 | | | (2,161.08) | | 397,406.12 | 427,880.03 | 14,178.57 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 CDEF Single Family | 4.49 | 11/21/06 | 11/20/36 | 379,948.43 | 395,447.67 | | | (1,730.95) | | 378,217.48 | 407,224.50 | 13,507.78 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 11/28/06 | 11/20/36 | 496,229.20 | 516,475.52 | | | (2,286.52) | | 493,942.68 | 531,828.33 | 17,639.33 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/12/06 | 11/20/36 | 531,796.33 | 553,501.08 | | | (2,402.60) | | 529,393.73 | 570,005.99 | 18,907.51 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 12/27/06 | 12/20/36 | 516,304.88 | 537,386.60 | | | (2,382.43) | | 513,922.45 | 553,357.90 | 18,353.73 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/09/07 | 12/20/36 | 383,820.75 | 399,497.73 | | | (1,726.90) | | 382,093.85 | 411,418.52 | 13,647.69 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 01/30/07 | 12/20/36 | 223,331.36 | 232,457.92 | | | (1,027.63) | | 222,303.73 | 239,369.54 | 7,939.25 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/13/08 | 01/20/38 | 64,369.56 | 66,730.54 | | | (265.63) | | 64,103.93 | 68,976.59 | 2,511.68 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/13/08 | 01/20/38 | 120,491.64 | 124,911.09 | | | (503.73) | | 119,987.91 | 129,108.40 | 4,701.04 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 02/19/08 | 02/20/38 | 164,200.35 | 170,224.34 | | | (702.60) | | 163,497.75 | 175,926.93 | 6,405.19 | 0.00 |
| GNMA | 2004 CDEF Single Family | 4.49 | 03/26/08 | 12/20/37 | 316,843.56 | 330,008.34 | | | (1,386.00) | | 315,457.56 | 339,624.44 | 11,002.10 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/07/05 | 02/01/35 | 160,304.92 | 165,603.60 | | | (1,907.75) | | 158,397.17 | 168,080.84 | 4,384.99 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 05/27/05 | 04/01/35 | 196,299.97 | 202,793.30 | | | (1,543.88) | | 194,756.09 | 206,667.35 | 5,417.93 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 07/14/05 | 11/01/33 | 51,093.16 | 53,001.62 | | | (4,281.08) | | 46,812.08 | 49,907.51 | 1,186.97 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 12/08/05 | 11/01/35 | 288,962.31 | 298,547.77 | | | (1,508.98) | | 287,453.33 | 305,061.81 | 8,023.02 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/05/06 | 12/01/35 | 148,060.79 | 152,974.26 | | | (1,182.74) | | 146,878.05 | 155,877.37 | 4,085.85 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/12/06 | 11/01/35 | 106,007.07 | 109,525.08 | | | (517.34) | | 105,489.73 | 111,953.27 | 2,945.53 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 02/02/06 | 01/01/36 | 147,796.92 | 152,703.63 | | | (992.11) | | 146,804.81 | 155,801.68 | 4,090.16 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 04/20/06 | 04/01/36 | 241,871.72 | 249,160.03 | | | (1,241.11) | | 240,630.61 | 254,922.79 | 7,003.87 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 05/25/06 | 04/01/36 | 196,624.60 | 202,552.33 | | | (1,279.44) | | 195,345.16 | 206,950.53 | 5,677.64 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 07/06/06 | 05/01/36 | 123,207.33 | 126,924.14 | | | (588.77) | | 122,618.56 | 129,905.76 | 3,570.39 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 08/02/06 | 07/01/36 | 87,778.61 | 90,427.91 | | | (3,358.12) | | 84,420.49 | 89,438.84 | 2,369.05 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 09/12/06 | 08/01/36 | 278,845.57 | 287,266.77 | | | (2,353.83) | | 276,491.74 | 292,932.99 | 8,020.05 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 11/14/06 | 01/01/36 | 367,253.09 | 378,349.54 | | | (1,692.37) | | 365,560.72 | 387,303.42 | 10,646.25 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/09/07 | 09/01/36 | 73,386.73 | 75,606.83 | | | (441.61) | | 72,945.12 | 77,286.60 | 2,121.38 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 01/30/07 | 01/01/37 | 65,678.84 | 67,474.80 | | | (295.62) | | 65,383.22 | 69,154.19 | 1,975.01 | 0.00 |
| FNMA | 2004 CDEF Single Family | 4.49 | 02/13/08 | 01/01/38 | 456,189.94 | 470,290.16 | | | (1,954.01) | | 454,235.93 | 482,214.93 | 13,878.78 | 0.00 |
| Repo Agmt | 2004 CDEF Single Family | 0.20 | 08/31/10 | 09/01/10 | 654,303.66 | 654,303.66 | | (654,271.76) | | | 31.90 | 31.90 | - | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 08/07/07 | 07/20/37 | 5,930.30 | 6,437.30 | | | (1,189.48) | | 4,740.82 | 5,178.65 | (69.17) | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 08/07/07 | 08/20/37 | 21,580.18 | 23,548.69 | | | (2,504.26) | | 19,075.92 | 20,906.64 | (137.79) | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 11/21/07 | 10/20/37 | 1,414.10 | 1,543.25 | | | (6.56) | | 1,407.54 | 1,542.79 | 6.10 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 11/21/07 | 10/20/37 | 9,966.10 | 10,819.46 | | | (37.43) | | 9,928.67 | 10,846.98 | 64.95 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 09/25/07 | 09/20/37 | 23,545.81 | 25,560.44 | | | (97.38) | | 23,448.43 | 25,615.71 | 152.65 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 09/25/07 | 09/20/37 | 20,531.11 | 22,154.31 | | | (85.08) | | 20,446.03 | 22,239.69 | 170.46 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 09/25/07 | 08/20/37 | 6,085.50 | 6,640.94 | | | (25.36) | | 6,060.14 | 6,642.05 | 26.47 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 09/25/07 | 09/20/37 | 2,713.27 | 2,960.90 | | | (12.84) | | 2,700.43 | 2,959.73 | 11.67 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 10/09/07 | 09/20/37 | 22,257.99 | 24,162.78 | | | (87.19) | | 22,170.80 | 24,220.32 | 144.73 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 10/09/07 | 06/20/37 | 2,046.31 | 2,233.08 | | | (7.24) | | 2,039.07 | 2,234.87 | 9.03 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 10/09/07 | 09/20/37 | 5,874.08 | 6,338.59 | | | (23.31) | | 5,850.77 | 6,364.13 | 48.85 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 08/23/07 | 08/20/37 | 13,251.49 | 14,384.80 | | | (53.68) | | 13,197.81 | 14,417.13 | 86.01 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 08/23/07 | 07/20/37 | 17,412.69 | 18,788.57 | | | (71.25) | | 17,341.44 | 18,861.94 | 144.62 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 09/11/07 | 09/20/37 | 9,342.24 | 10,141.44 | | | (34.35) | | 9,307.89 | 10,168.05 | 60.96 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 09/11/07 | 08/20/37 | 11,306.96 | 12,338.80 | | | (42.12) | | 11,264.84 | 12,346.36 | 49.68 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 09/11/07 | 08/20/37 | 9,297.64 | 10,015.07 | | | (36.15) | | 9,261.49 | 10,056.39 | 77.47 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 11/28/07 | 11/20/37 | 8,840.17 | 9,597.25 | | | (47.20) | | 8,792.97 | 9,606.37 | 56.32 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 12/11/07 | 11/20/37 | 5,850.36 | 6,302.44 | | | (22.10) | | 5,828.26 | 6,329.15 | 48.81 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 10/25/07 | 10/20/37 | 9,524.02 | 10,339.29 | | | (34.60) | | 9,489.42 | 10,366.87 | 62.18 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 10/25/07 | 10/20/37 | 22,300.65 | 24,022.61 | | | (94.82) | | 22,205.83 | 24,112.90 | 185.11 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 10/25/07 | 09/20/36 | 3,523.78 | 3,851.86 | | | (14.42) | | 3,509.36 | 3,853.68 | 16.24 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 10/25/07 | 10/20/37 | 14,769.04 | 16,033.27 | | | (69.58) | | 14,699.46 | 16,058.64 | 94.95 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 11/08/07 | 10/20/37 | 14,911.45 | 16,188.07 | | | (2,514.91) | | 12,396.54 | 13,542.95 | (130.21) | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 11/08/07 | 10/20/37 | 8,105.84 | 8,747.09 | | | (30.50) | | 8,075.34 | 8,784.15 | 67.56 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 01/16/08 | 12/20/37 | 1,361.82 | 1,486.30 | | | (7.33) | | 1,354.49 | 1,484.74 | 5.77 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 12/28/07 | 11/20/37 | 5,795.00 | 6,291.45 | | | (20.78) | | 5,774.22 | 6,308.53 | 37.86 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 12/28/07 | 12/20/37 | 1,427.29 | 1,557.71 | | | (4.96) | | 1,422.33 | 1,559.06 | 6.31 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 12/28/07 | 12/20/37 | 12,780.17 | 13,948.13 | | | (48.17) | | 12,732.00 | 13,956.06 | 56.10 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 12/11/07 | 11/20/37 | 18,535.74 | 20,123.38 | | | (67.18) | | 18,468.56 | 20,177.23 | 121.03 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 12/20/07 | 11/20/37 | 1,617.89 | 1,756.52 | | | (5.89) | | 1,612.00 | 1,761.20 | 10.57 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 12/20/07 | 12/20/37 | 1,633.46 | 1,762.76 | | | (6.06) | | 1,627.40 | 1,770.31 | 13.61 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 01/16/08 | 12/20/37 | 1,008.10 | 1,094.51 | | | (9.43) | | 998.67 | 1,091.13 | 6.05 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 01/30/08 | 12/20/37 | 1,914.13 | 2,078.21 | | | (6.85) | | 1,907.28 | 2,083.86 | 12.50 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2004 CDEF Single Family | 5.63 | 01/30/08 | 12/20/37 | 6,423.91 | 7,011.24 | | | (23.09) | | 6,400.82 | 7,016.46 | 28.31 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 02/13/08 | 12/20/37 | 3,224.26 | 3,500.62 | | | (20.35) | | 3,203.91 | 3,500.51 | 20.24 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 01/30/08 | 01/20/38 | 1,417.04 | 1,542.83 | | | (4.81) | | 1,412.23 | 1,545.97 | 7.95 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 02/13/08 | 01/20/38 | 4,083.33 | 4,445.86 | | | (14.14) | | 4,069.19 | 4,454.57 | 22.85 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 02/19/08 | 12/20/37 | 2,871.36 | 3,117.54 | | | (21.96) | | 2,849.40 | 3,113.25 | 17.67 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.63 | 02/19/08 | 01/20/38 | 4,647.88 | 5,060.57 | | | (16.50) | | 4,631.38 | 5,070.04 | 25.97 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 02/27/08 | 02/20/38 | 3,749.63 | 4,029.63 | | | (14.06) | | 3,735.57 | 4,052.07 | 36.50 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 02/27/08 | 02/20/38 | 5,892.61 | 6,367.15 | | | (22.22) | | 5,870.39 | 6,397.00 | 52.07 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 03/20/08 | 02/20/38 | 5,899.36 | 6,386.51 | | | (21.32) | | 5,878.04 | 6,417.33 | 52.14 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.13 | 03/20/08 | 10/20/37 | 2,171.07 | 2,343.13 | | | (8.17) | | 2,162.90 | 2,353.06 | 18.10 | 0.00 |
| GNMA | 2004 CDEF Single Family | 5.38 | 03/27/08 | 03/20/38 | 6,861.76 | 7,428.46 | | | (2,488.53) | | 4,373.23 | 4,774.52 | (165.41) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 07/03/07 | 07/01/37 | 4,738.03 | 5,092.38 | | | (17.25) | | 4,720.78 | 5,085.53 | 10.40 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 08/07/07 | 07/01/37 | 37,504.53 | 40,192.77 | | | (2,981.83) | | 34,522.70 | 37,228.14 | 17.20 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 08/07/07 | 07/01/37 | 5,951.84 | 6,426.27 | | | (26.05) | | 5,925.79 | 6,412.59 | 12.37 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 08/07/07 | 08/01/37 | 35,481.30 | 37,680.54 | | | (8,694.93) | | 26,786.37 | 28,790.77 | (194.84) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 08/29/07 | 08/01/37 | 8,458.78 | 8,983.24 | | | (35.27) | | 8,423.51 | 9,053.98 | 106.01 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 08/23/07 | 07/01/37 | 13,383.86 | 14,343.40 | | | (72.63) | | 13,311.23 | 14,354.61 | 83.84 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 09/11/07 | 08/01/37 | 14,419.04 | 15,453.08 | | | (57.05) | | 14,361.99 | 15,488.02 | 91.99 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 09/11/07 | 09/01/37 | 3,557.73 | 3,778.37 | | | (28.72) | | 3,529.01 | 3,793.21 | 43.56 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 09/11/07 | 08/01/37 | 5,804.27 | 6,267.14 | | | (1,299.12) | | 4,505.15 | 4,875.42 | (92.60) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 09/25/07 | 09/01/37 | 36,049.01 | 38,634.70 | | | (154.92) | | 35,894.09 | 38,708.78 | 229.00 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 09/25/07 | 07/01/37 | 3,586.63 | 3,872.67 | | | (13.73) | | 3,572.90 | 3,866.57 | 7.63 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 09/25/07 | 09/01/37 | 16,534.09 | 17,559.72 | | | (92.10) | | 16,441.99 | 17,673.13 | 205.51 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 10/09/07 | 08/01/37 | 6,727.07 | 7,250.73 | | | (2,948.50) | | 3,778.57 | 4,095.57 | (206.66) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 10/09/07 | 09/01/37 | 9,673.53 | 10,356.37 | | | (37.59) | | 9,635.94 | 10,407.05 | 88.27 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 10/09/07 | 09/01/37 | 4,174.15 | 4,529.98 | | | (14.95) | | 4,159.20 | 4,518.35 | 3.32 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 10/25/07 | 10/01/37 | 33,469.44 | 36,075.47 | | | (1,762.23) | | 31,707.21 | 34,367.99 | 54.75 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 10/25/07 | 10/01/37 | 17,323.99 | 18,547.16 | | | (2,657.86) | | 14,666.13 | 15,840.02 | (49.28) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 11/08/07 | 09/01/37 | 13,654.89 | 14,718.27 | | | (72.64) | | 13,582.25 | 14,722.19 | 76.56 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 11/08/07 | 10/01/37 | 5,936.82 | 6,356.06 | | | (30.86) | | 5,905.96 | 6,378.76 | 53.56 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 11/21/07 | 10/01/37 | 8,832.11 | 9,520.01 | | | (34.35) | | 8,797.76 | 9,536.25 | 50.59 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 11/21/07 | 09/01/37 | 7,897.01 | 8,454.77 | | | (31.08) | | 7,865.93 | 8,495.72 | 72.03 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 11/21/07 | 11/01/37 | 11,504.88 | 12,400.99 | | | (43.20) | | 11,461.68 | 12,423.83 | 66.04 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 12/11/07 | 10/01/37 | 19,711.71 | 21,247.33 | | | (1,841.56) | | 17,870.15 | 19,370.50 | (35.27) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 12/11/07 | 11/01/37 | 8,680.96 | 9,294.27 | | | (3,203.96) | | 5,477.00 | 5,915.63 | (174.68) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 12/11/07 | 11/01/37 | 6,287.46 | 6,777.31 | | | (44.89) | | 6,242.57 | 6,766.72 | 34.30 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 12/11/07 | 12/01/37 | 7,960.11 | 8,522.51 | | | (41.17) | | 7,918.94 | 8,553.14 | 71.80 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 12/20/07 | 11/01/37 | 7,060.44 | 7,559.35 | | | (2,435.90) | | 4,624.54 | 4,994.97 | (128.48) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 12/20/07 | 10/01/37 | 1,570.05 | 1,692.39 | | | (6.94) | | 1,563.11 | 1,694.37 | 8.92 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 12/28/07 | 10/01/37 | 26,236.34 | 28,474.82 | | | (3,325.27) | | 22,911.07 | 24,891.22 | (258.33) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 01/16/08 | 12/01/37 | 6,773.49 | 7,252.28 | | | (25.53) | | 6,747.96 | 7,288.61 | 61.86 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 01/30/08 | 12/01/37 | 3,717.33 | 3,980.13 | | | (18.73) | | 3,698.60 | 3,994.98 | 33.58 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 01/30/08 | 11/01/37 | 1,394.36 | 1,503.05 | | | (5.02) | | 1,389.34 | 1,506.06 | 8.03 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 01/30/08 | 12/01/37 | 1,815.57 | 1,943.93 | | | (9.12) | | 1,806.45 | 1,951.22 | 16.41 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 02/13/08 | 01/01/38 | 2,270.30 | 2,431.27 | | | (8.42) | | 2,261.88 | 2,440.28 | 17.43 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 02/13/08 | 01/01/38 | 8,921.41 | 9,618.59 | | | (2,729.86) | | 6,191.55 | 6,709.40 | (179.33) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.63 | 02/19/08 | 04/01/37 | 3,299.57 | 3,581.20 | | | (21.92) | | 3,277.65 | 3,561.03 | 1.75 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 02/19/08 | 12/01/37 | 4,511.21 | 4,862.95 | | | (19.49) | | 4,491.72 | 4,869.15 | 25.69 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 02/19/08 | 01/01/38 | 4,968.29 | 5,320.59 | | | (28.46) | | 4,939.83 | 5,329.49 | 37.36 | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.13 | 02/27/08 | 02/01/38 | 3,776.49 | 4,044.31 | | | (2,266.63) | | 1,509.86 | 1,628.97 | (148.71) | 0.00 |
| FNMA | 2004 CDEF Single Family | 5.38 | 03/20/08 | 11/01/37 | 5,530.66 | 5,962.06 | | | (28.24) | | 5,502.42 | 5,964.93 | 31.11 | 0.00 |
| | **2004 CDEF Single Family Total** | | | | 59,871,874.88 | 62,517,073.14 | 1,650,116.27 | (1,462,755.19) | (1,141,585.99) | 0.00 | 58,917,649.97 | 63,296,801.55 | 1,733,953.32 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2005 BCD Single Family | 0.20 | 08/31/10 | 09/01/10 | 2,656.43 | 2,656.43 | 1.15 | | | | 2,657.58 | 2,657.58 | - | 0.00 |
| Repo Agmt | 2005 BCD Single Family | 0.20 | 08/31/10 | 09/01/10 | 247,502.16 | 247,502.16 | 127,082.97 | | | | 374,585.13 | 374,585.13 | - | 0.00 |
| Repo Agmt | 2005 BCD Single Family | 0.20 | 08/31/10 | 09/01/10 | 486,624.12 | 486,624.12 | 579,260.52 | | | | 1,065,884.64 | 1,065,884.64 | - | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 08/10/06 | 07/20/36 | 10,795.49 | 11,669.13 | | | (60.02) | | 10,735.47 | 11,695.80 | 86.69 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 08/16/06 | 08/20/36 | 3,947.87 | 4,288.50 | | | (15.63) | | 3,932.24 | 4,297.71 | 24.84 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 08/16/06 | 08/20/36 | 5,038.37 | 5,502.55 | | | (22.07) | | 5,016.30 | 5,503.61 | 23.13 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 08/23/06 | 08/20/36 | 12,310.93 | 13,373.28 | | | (56.26) | | 12,254.67 | 13,393.79 | 76.77 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2005 BCD Single Family | 5.13 | 08/23/06 | 08/01/36 | 20,026.56 | 21,609.93 | | | (95.71) | | 19,930.85 | 21,676.43 | 162.21 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 09/06/06 | 08/20/36 | 35,712.66 | 38,794.87 | | | (162.22) | | 35,550.44 | 38,855.49 | 222.84 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 09/06/06 | 09/20/36 | 16,277.88 | 17,753.39 | | | (95.04) | | 16,182.84 | 17,730.90 | 72.55 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 09/06/06 | 08/20/36 | 35,211.29 | 38,062.11 | | | (162.41) | | 35,048.88 | 38,185.48 | 285.78 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 09/12/06 | 09/20/36 | 19,487.71 | 21,169.81 | | | (91.16) | | 19,396.55 | 21,199.97 | 121.32 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 09/12/06 | 09/20/36 | 25,481.78 | 27,518.10 | | | (2,304.84) | | 23,176.94 | 25,226.78 | 13.52 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 09/12/06 | 09/20/36 | 4,531.16 | 4,948.77 | | | (42.83) | | 4,488.33 | 4,924.49 | 18.55 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 09/20/06 | 09/20/36 | 37,444.69 | 40,677.11 | | | (3,328.38) | | 34,116.31 | 37,288.71 | (60.02) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 09/20/06 | 09/20/36 | 74,326.68 | 80,127.21 | | | (8,998.93) | | 65,327.75 | 70,982.70 | (145.58) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 09/20/06 | 09/20/36 | 7,377.28 | 8,057.29 | | | (1,909.88) | | 5,467.40 | 5,998.78 | (148.63) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 09/26/06 | 09/20/36 | 22,108.44 | 23,875.48 | | | (97.13) | | 22,011.31 | 23,958.36 | 180.01 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 09/26/06 | 09/20/36 | 27,353.91 | 29,715.42 | | | (116.16) | | 27,237.75 | 29,770.68 | 171.42 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 10/05/06 | 10/20/36 | 48,348.48 | 52,523.11 | | | (213.05) | | 48,135.43 | 52,612.36 | 302.30 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 10/17/06 | 10/20/36 | 26,120.86 | 28,489.75 | | | (2,766.60) | | 23,354.26 | 25,589.35 | (133.80) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 10/05/06 | 10/20/36 | 53,491.15 | 57,666.70 | | | (5,069.63) | | 48,421.52 | 52,613.98 | 16.91 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 10/17/06 | 10/20/36 | 43,766.37 | 47,545.88 | | | (1,444.47) | | 42,321.90 | 46,258.59 | 157.18 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 10/17/06 | 10/20/36 | 49,505.32 | 53,463.34 | | | (2,272.61) | | 47,232.71 | 51,411.94 | 221.21 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 10/24/06 | 10/20/36 | 29,860.22 | 32,613.71 | | | (124.08) | | 29,736.14 | 32,627.34 | 137.71 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 10/24/06 | 10/20/36 | 44,864.79 | 48,739.44 | | | (1,206.22) | | 43,658.57 | 47,719.93 | 186.71 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 10/24/06 | 10/20/36 | 41,848.52 | 45,194.64 | | | (180.55) | | 41,667.97 | 45,355.14 | 341.05 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 11/02/06 | 11/20/36 | 38,461.57 | 41,783.78 | | | (2,875.27) | | 35,586.30 | 38,897.21 | (11.30) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 11/02/06 | 10/20/36 | 33,344.80 | 36,011.30 | | | (158.15) | | 33,186.65 | 36,123.61 | 270.46 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 11/14/06 | 11/20/36 | 17,721.91 | 19,356.56 | | | (67.36) | | 17,654.55 | 19,371.51 | 82.31 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 11/14/06 | 10/20/36 | 23,613.93 | 25,653.83 | | | (93.42) | | 23,520.51 | 25,709.02 | 148.61 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 11/14/06 | 11/20/36 | 39,438.50 | 42,592.98 | | | (174.63) | | 39,263.87 | 42,739.33 | 320.98 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 11/21/06 | 11/20/36 | 38,307.07 | 41,616.67 | | | (162.28) | | 38,144.79 | 41,694.52 | 240.13 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 11/21/06 | 11/20/36 | 6,340.93 | 6,916.25 | | | (24.04) | | 6,316.89 | 6,921.71 | 29.50 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 11/21/06 | 11/20/36 | 24,034.06 | 25,956.55 | | | (120.02) | | 23,914.04 | 26,030.96 | 194.43 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 11/28/06 | 11/20/36 | 33,281.29 | 36,156.93 | | | (153.32) | | 33,127.97 | 36,211.05 | 207.44 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 11/28/06 | 11/20/36 | 5,688.91 | 6,213.75 | | | (21.33) | | 5,667.58 | 6,218.88 | 26.46 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 11/28/06 | 11/20/36 | 6,055.57 | 6,540.00 | | | (24.44) | | 6,031.13 | 6,565.04 | 49.48 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 12/12/06 | 12/20/36 | 26,422.86 | 28,708.95 | | | (1,998.73) | | 24,424.13 | 26,699.98 | (10.24) | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 12/12/06 | 12/20/36 | 18,420.40 | 20,120.03 | | | (853.89) | | 17,566.51 | 19,275.47 | 9.33 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 12/12/06 | 11/20/36 | 37,929.69 | 40,964.52 | | | (209.35) | | 37,720.34 | 41,060.23 | 305.06 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 12/27/06 | 12/20/36 | 58,304.09 | 63,343.68 | | | (1,572.91) | | 56,731.18 | 62,012.81 | 242.04 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 12/27/06 | 12/20/36 | 11,156.40 | 12,169.04 | | | (45.64) | | 11,110.76 | 12,175.00 | 51.60 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 12/27/06 | 12/20/36 | 34,740.66 | 37,521.00 | | | (142.05) | | 34,598.61 | 37,662.79 | 283.84 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 01/10/07 | 12/20/36 | 33,634.55 | 36,542.26 | | | (135.11) | | 33,499.44 | 36,618.66 | 211.51 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 01/09/07 | 12/20/36 | 14,962.75 | 16,321.15 | | | (69.19) | | 14,893.56 | 16,320.40 | 68.44 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 01/09/07 | 01/20/37 | 21,856.69 | 23,567.45 | | | (90.95) | | 21,765.74 | 23,657.95 | 181.45 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 01/16/07 | 12/20/36 | 19,448.12 | 21,129.55 | | | (105.73) | | 19,342.39 | 21,143.53 | 119.71 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 01/16/07 | 01/20/37 | 15,896.57 | 17,334.94 | | | (60.90) | | 15,835.67 | 17,343.77 | 69.73 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 01/30/07 | 01/20/37 | 44,141.23 | 47,597.16 | | | (181.62) | | 43,959.61 | 47,782.15 | 366.61 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 01/30/07 | 01/20/37 | 27,182.33 | 29,487.09 | | | (122.25) | | 27,060.08 | 29,540.23 | 175.39 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 01/30/07 | 01/20/37 | 7,453.90 | 8,128.48 | | | (27.98) | | 7,425.92 | 8,133.24 | 32.74 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.38 | 02/13/07 | 01/20/37 | 28,476.76 | 30,891.70 | | | (117.97) | | 28,358.79 | 30,958.39 | 184.66 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.13 | 02/13/07 | 01/20/37 | 28,066.45 | 30,264.24 | | | (2,218.31) | | 25,848.14 | 28,096.14 | 50.21 | 0.00 |
| GNMA | 2005 BCD Single Family | 5.63 | 02/13/07 | 02/20/37 | 4,176.04 | 4,554.00 | | | (15.28) | | 4,160.76 | 4,557.11 | 18.39 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 08/09/06 | 08/01/36 | 12,023.83 | 12,837.87 | | | (68.97) | | 11,954.86 | 12,854.57 | 85.67 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 08/10/06 | 07/01/36 | 7,378.52 | 7,813.40 | | | (35.56) | | 7,342.96 | 7,879.42 | 101.58 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 08/23/06 | 08/01/36 | 6,621.70 | 7,070.05 | | | (52.45) | | 6,569.25 | 7,063.70 | 46.10 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 08/23/06 | 08/01/36 | 9,639.22 | 10,371.36 | | | (38.18) | | 9,601.04 | 10,358.00 | 24.82 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 08/23/06 | 08/01/36 | 14,916.76 | 15,796.00 | | | (3,045.98) | | 11,870.78 | 12,738.11 | (11.91) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 09/06/06 | 09/01/36 | 20,032.12 | 21,388.57 | | | (90.20) | | 19,941.92 | 21,442.99 | 144.62 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 09/06/06 | 08/01/36 | 7,608.85 | 8,186.82 | | | (29.34) | | 7,579.51 | 8,177.14 | 19.66 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 09/12/06 | 09/01/36 | 19,995.57 | 21,153.56 | | | (87.94) | | 19,907.63 | 21,341.55 | 275.93 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 09/12/06 | 09/01/36 | 11,195.82 | 11,953.90 | | | (60.48) | | 11,135.34 | 11,973.48 | 80.06 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 09/20/06 | 09/01/36 | 5,890.54 | 6,338.09 | | | (23.88) | | 5,866.66 | 6,329.32 | 15.11 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 09/20/06 | 09/01/36 | 12,683.95 | 13,542.90 | | | (67.14) | | 12,616.81 | 13,566.57 | 90.81 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 09/20/06 | 09/01/36 | 13,431.74 | 14,209.69 | | | (2,827.97) | | 10,603.77 | 11,367.63 | (14.09) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2005 BCD Single Family | 5.38 | 09/26/06 | 09/01/36 | 12,081.60 | 12,899.79 | | | (1,873.70) | | 10,207.90 | 10,976.34 | (49.75) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 10/05/06 | 09/01/36 | 21,692.65 | 23,161.82 | | | (88.50) | | 21,604.15 | 23,230.61 | 157.29 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 10/17/06 | 09/01/36 | 12,695.80 | 13,660.39 | | | (56.80) | | 12,639.00 | 13,635.77 | 32.18 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 10/17/06 | 10/01/36 | 28,687.15 | 30,349.01 | | | (3,300.71) | | 25,386.44 | 27,215.47 | 167.17 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 10/17/06 | 10/01/36 | 22,572.59 | 24,101.55 | | | (137.70) | | 22,434.89 | 24,124.09 | 160.24 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 10/24/06 | 11/01/36 | 36,427.06 | 38,894.57 | | | (181.30) | | 36,245.76 | 38,974.94 | 261.67 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 11/02/06 | 11/01/36 | 33,559.52 | 35,832.90 | | | (147.77) | | 33,411.75 | 35,927.66 | 242.53 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 11/02/06 | 10/01/36 | 12,287.55 | 13,221.25 | | | (3,703.18) | | 8,584.37 | 9,261.47 | (256.60) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 11/02/06 | 10/01/36 | 16,003.18 | 16,930.31 | | | (95.53) | | 15,907.65 | 17,053.83 | 219.05 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 11/14/06 | 11/01/36 | 24,425.42 | 26,080.19 | | | (107.03) | | 24,318.39 | 26,149.72 | 176.56 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 11/14/06 | 11/01/36 | 10,116.95 | 10,885.80 | | | (2,098.08) | | 8,018.87 | 8,651.43 | (136.29) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 11/14/06 | 11/01/36 | 7,586.96 | 8,026.59 | | | (32.18) | | 7,554.78 | 8,099.21 | 104.80 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 11/21/06 | 10/01/36 | 10,315.20 | 11,014.05 | | | (41.15) | | 10,274.05 | 11,047.76 | 74.86 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 11/21/06 | 11/01/36 | 6,403.17 | 6,889.81 | | | (1,134.65) | | 5,268.52 | 5,684.15 | (71.01) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 11/21/06 | 11/01/36 | 4,749.95 | 5,025.18 | | | (42.68) | | 4,707.27 | 5,046.49 | 63.99 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 11/28/06 | 11/01/36 | 6,205.85 | 6,626.31 | | | (24.94) | | 6,180.91 | 6,646.39 | 45.02 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 11/28/06 | 11/01/36 | 2,392.41 | 2,531.04 | | | (46.34) | | 2,346.07 | 2,515.15 | 30.45 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 11/28/06 | 11/01/36 | 8,230.48 | 8,856.01 | | | (34.13) | | 8,196.35 | 8,842.95 | 21.07 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 12/12/06 | 11/01/36 | 7,407.24 | 7,909.15 | | | (29.50) | | 7,377.74 | 7,933.41 | 53.76 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 12/12/06 | 11/01/36 | 8,026.98 | 8,637.06 | | | (52.41) | | 7,974.57 | 8,603.70 | 19.05 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 12/12/06 | 11/01/36 | 9,299.47 | 9,838.48 | | | (70.61) | | 9,228.86 | 9,894.06 | 126.19 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 12/27/06 | 11/01/36 | 27,317.93 | 29,169.18 | | | (112.42) | | 27,205.51 | 29,254.78 | 198.02 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 12/27/06 | 12/01/36 | 7,198.18 | 7,745.36 | | | (35.30) | | 7,162.88 | 7,728.06 | 18.00 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 12/27/06 | 10/01/36 | 8,129.45 | 8,600.66 | | | (35.81) | | 8,093.64 | 8,677.03 | 112.18 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 01/09/07 | 12/01/36 | 26,876.09 | 28,697.61 | | | (3,326.04) | | 23,550.05 | 25,324.14 | (47.43) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 01/09/07 | 12/01/36 | 7,885.24 | 8,484.66 | | | (2,652.86) | | 5,232.38 | 5,645.23 | (186.57) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 01/09/07 | 12/01/36 | 5,009.29 | 5,299.69 | | | (20.67) | | 4,988.62 | 5,348.26 | 69.24 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 01/30/07 | 12/01/36 | 25,102.93 | 26,804.49 | | | (3,433.17) | | 21,669.76 | 23,302.38 | (68.94) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 01/30/07 | 12/01/36 | 20,071.54 | 21,597.58 | | | (1,397.83) | | 18,673.71 | 20,147.36 | (52.39) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 01/30/07 | 01/01/37 | 7,478.10 | 7,911.66 | | | (2,235.19) | | 5,242.91 | 5,620.89 | (55.58) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 02/13/07 | 01/01/37 | 19,846.41 | 21,191.84 | | | (3,056.00) | | 16,790.41 | 18,055.59 | (80.25) | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 02/13/07 | 01/01/37 | 6,851.43 | 7,372.39 | | | (26.72) | | 6,824.71 | 7,363.35 | 17.68 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.13 | 02/13/07 | 01/01/37 | 7,308.77 | 7,732.69 | | | (32.90) | | 7,275.87 | 7,800.58 | 100.79 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.38 | 02/20/07 | 01/01/37 | 6,250.97 | 6,686.00 | | | (24.62) | | 6,226.35 | 6,701.34 | 39.96 | 0.00 |
| FNMA | 2005 BCD Single Family | 5.63 | 02/20/07 | 01/01/37 | 11,297.60 | 12,156.64 | | | (1,892.50) | | 9,405.10 | 10,147.39 | (116.75) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 05/01/96 | 04/01/26 | 188,072.73 | 208,169.83 | | | (51,267.01) | | 136,805.72 | 151,236.08 | (5,666.74) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 06/01/96 | 05/01/26 | 148,795.53 | 164,518.46 | | | (1,945.60) | | 146,849.93 | 162,168.15 | (404.71) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 07/01/96 | 06/01/26 | 110,478.63 | 122,385.68 | | | (1,582.96) | | 108,895.67 | 120,480.52 | (322.20) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 08/01/96 | 07/01/26 | 168,993.24 | 187,241.46 | | | (3,463.70) | | 165,529.54 | 183,172.73 | (605.03) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 08/01/96 | 08/01/26 | 149,591.63 | 163,306.67 | | | (1,741.90) | | 147,849.73 | 161,314.49 | (250.28) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 09/01/96 | 08/01/26 | 74,246.73 | 80,976.71 | | | (1,429.60) | | 72,817.13 | 79,374.07 | (173.04) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 10/01/96 | 10/01/26 | 243,155.95 | 265,154.52 | | | (3,351.90) | | 239,804.05 | 261,357.07 | (445.55) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 12/01/96 | 11/01/26 | 117,084.38 | 127,721.95 | | | (2,258.71) | | 114,825.67 | 125,189.25 | (273.99) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 03/01/97 | 01/01/27 | 184,448.56 | 201,093.21 | | | (4,537.81) | | 179,910.75 | 196,039.75 | (515.65) | 0.00 |
| FNMA | 2005 BCD Single Family | 6.15 | 09/01/97 | 07/01/27 | 96,635.87 | 106,467.59 | | | (1,131.42) | | 95,504.45 | 105,206.74 | (129.43) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 07/01/96 | 07/20/26 | 788,287.15 | 870,508.90 | | | (9,583.17) | | 778,703.98 | 860,452.73 | (473.00) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 03/01/96 | 03/20/26 | 165,079.08 | 182,307.26 | | | (2,842.63) | | 162,236.45 | 179,277.12 | (187.51) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 08/01/96 | 07/20/26 | 682,442.27 | 753,599.71 | | | (103,253.47) | | 579,188.80 | 639,971.70 | (10,374.54) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 04/01/96 | 04/20/26 | 231,233.10 | 255,328.85 | | | (2,709.60) | | 228,523.50 | 252,491.39 | (127.86) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 05/01/96 | 05/20/26 | 764,691.27 | 844,389.14 | | | (57,849.19) | | 706,842.08 | 780,988.65 | (5,551.30) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 05/01/96 | 05/20/26 | 252,981.90 | 279,398.78 | | | (3,244.50) | | 249,737.40 | 275,983.80 | (170.48) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 06/01/96 | 06/20/26 | 863,611.36 | 953,710.89 | | | (9,624.30) | | 853,987.06 | 943,659.00 | (427.59) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 06/01/96 | 06/20/26 | 221,581.30 | 244,657.54 | | | (4,460.89) | | 217,120.41 | 239,879.10 | (317.55) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 07/01/96 | 06/20/26 | 1,133,496.89 | 1,251,427.46 | | | (15,255.38) | | 1,118,241.51 | 1,235,344.56 | (827.52) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 08/01/96 | 08/20/26 | 719,916.84 | 792,265.66 | | | (11,419.56) | | 708,497.28 | 780,218.24 | (627.86) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 09/01/96 | 09/20/26 | 326,056.22 | 358,615.95 | | | (5,720.03) | | 320,336.19 | 352,562.42 | (333.50) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 09/01/96 | 09/20/26 | 189,745.89 | 208,763.20 | | | (3,881.50) | | 185,864.39 | 204,629.80 | (251.90) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 10/01/96 | 10/20/26 | 817,117.95 | 898,780.50 | | | (10,823.84) | | 806,294.11 | 887,473.27 | (483.39) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 12/01/96 | 12/20/26 | 198,311.69 | 218,075.63 | | | (44,717.97) | | 153,593.72 | 169,015.66 | (4,342.00) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 01/01/97 | 12/20/26 | 592,918.24 | 652,020.89 | | | (6,511.52) | | 586,406.72 | 645,297.98 | (211.39) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2005 BCD Single Family | 6.15 | 01/01/97 | 01/20/27 | 354,123.76 | 391,408.27 | | | (53,806.02) | | 300,317.74 | 332,739.43 | (4,862.82) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 02/01/97 | 02/20/27 | 275,677.58 | 304,695.07 | | | (3,142.70) | | 272,534.88 | 301,949.58 | 397.21 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 02/01/97 | 02/20/27 | 132,251.84 | 146,042.57 | | | (1,363.24) | | 130,888.60 | 144,888.38 | 209.05 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 03/01/97 | 03/20/27 | 421,493.45 | 465,160.70 | | | (74,627.86) | | 346,865.59 | 383,735.30 | (6,797.54) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 04/01/97 | 04/20/27 | 204,543.32 | 225,603.09 | | | (1,871.18) | | 202,672.14 | 224,086.46 | 354.55 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 06/01/97 | 06/20/27 | 109,306.61 | 120,603.97 | | | (1,898.82) | | 107,407.79 | 118,798.41 | 93.26 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 08/01/97 | 07/20/27 | 245,370.43 | 272,138.43 | | | (3,429.59) | | 241,940.84 | 268,969.65 | 260.81 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 09/01/97 | 08/20/27 | 489,873.50 | 540,560.61 | | | (4,383.87) | | 485,489.63 | 537,030.80 | 854.06 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 02/01/98 | 02/20/28 | 129,441.75 | 142,992.98 | | | (998.21) | | 128,443.54 | 143,078.37 | 1,083.60 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 03/01/98 | 01/20/28 | 119,988.24 | 132,549.79 | | | (1,704.34) | | 118,283.90 | 131,761.15 | 915.70 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 04/01/98 | 04/20/28 | 214,244.86 | 236,674.14 | | | (1,987.40) | | 212,257.46 | 236,442.07 | 1,755.33 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 06/01/98 | 05/20/28 | 66,634.73 | 73,610.70 | | | (941.09) | | 65,693.64 | 73,178.76 | 509.15 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 07/01/98 | 06/20/28 | 31,625.46 | 34,936.31 | | | (1,487.56) | | 30,137.90 | 33,571.80 | 123.05 | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 09/01/98 | 07/20/28 | 266,799.29 | 294,730.53 | | | (62,594.53) | | 204,204.76 | 227,471.86 | (4,664.14) | 0.00 |
| GNMA | 2005 BCD Single Family | 6.15 | 11/01/98 | 10/20/28 | 456,910.00 | 504,743.90 | | | (137,425.97) | | 319,484.03 | 355,886.05 | (11,431.88) | 0.00 |
| | **2005 BCD Single Family Total** | | | | 15,707,048.10 | 17,196,427.49 | 706,344.64 | 0.00 | (796,957.55) | 0.00 | 15,616,435.19 | 17,059,622.15 | (46,192.43) | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2006 ABCDE Single Family | 0.20 | 08/31/10 | 09/01/10 | 1,097,783.61 | 1,097,783.61 | 504.49 | | | | 1,098,288.10 | 1,098,288.10 | - | 0.00 |
| Repo Agmt | 2006 ABCDE Single Family | 0.20 | 08/31/10 | 09/01/10 | 1,736,403.64 | 1,736,403.64 | 9,365,455.00 | | | | 11,101,858.64 | 11,101,858.64 | - | 0.00 |
| GIC's | 2006 ABCDE Single Family | 4.73 | 06/28/06 | 08/31/37 | 8,170,916.93 | 8,170,916.93 | | (5,390,845.29) | | | 2,780,071.64 | 2,780,071.64 | - | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.38 | 05/21/08 | 04/01/38 | 110,059.26 | 117,772.16 | | | (394.79) | | 109,664.47 | 117,879.83 | 502.46 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.38 | 06/18/08 | 04/01/38 | 220,526.66 | 235,985.59 | | | (813.18) | | 219,713.48 | 236,177.53 | 1,005.12 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.63 | 06/18/08 | 03/01/38 | 90,253.77 | 97,293.39 | | | (401.87) | | 89,851.90 | 96,899.70 | 8.18 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 06/25/08 | 12/01/37 | 125,042.14 | 132,682.44 | | | (468.70) | | 124,573.44 | 133,541.52 | 1,327.78 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 07/16/08 | 06/01/38 | 188,007.62 | 199,500.06 | | | (859.59) | | 187,148.03 | 200,625.72 | 1,985.25 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.63 | 07/16/08 | 05/01/38 | 71,893.11 | 77,493.66 | | | (239.96) | | 71,653.15 | 77,260.75 | 7.05 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.38 | 07/23/08 | 03/01/38 | 79,504.86 | 85,080.11 | | | (269.70) | | 79,235.16 | 85,174.46 | 364.05 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.38 | 08/13/08 | 07/01/38 | 122,514.89 | 131,108.87 | | | (423.15) | | 122,091.74 | 131,246.28 | 560.56 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.38 | 08/13/08 | 07/01/38 | 62,072.41 | 66,426.58 | | | (3,802.85) | | 58,269.56 | 62,638.67 | 14.94 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.63 | 09/24/08 | 07/01/38 | 117,237.87 | 126,377.31 | | | (385.30) | | 116,852.57 | 126,004.09 | 12.08 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 10/22/08 | 03/01/38 | 179,280.94 | 190,252.17 | | | (659.92) | | 178,621.02 | 191,496.75 | 1,904.50 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 11/19/08 | 10/01/38 | 162,387.81 | 172,330.13 | | | (585.20) | | 161,802.61 | 173,471.09 | 1,726.16 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 11/25/08 | 10/01/38 | 129,532.57 | 137,463.83 | | | (526.68) | | 129,005.89 | 138,309.76 | 1,372.61 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.25 | 12/18/08 | 09/01/38 | 195,448.39 | 208,334.64 | | | (1,723.87) | | 193,724.52 | 207,995.74 | 1,384.97 | 0.00 |
| Freddie Mac | 2006 ABCDE Single Family | 5.13 | 12/30/08 | 12/01/38 | 142,027.19 | 150,727.60 | | | (495.37) | | 141,531.82 | 151,743.18 | 1,510.95 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 04/15/97 | 03/01/27 | 176,321.89 | 192,651.06 | | | (1,961.47) | | 174,360.42 | 190,459.11 | (230.48) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 05/29/97 | 05/01/27 | 171,667.19 | 187,565.29 | | | (2,967.07) | | 168,700.12 | 184,276.20 | (322.02) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 06/26/97 | 05/01/27 | 181,926.16 | 198,774.30 | | | (2,065.69) | | 179,860.47 | 196,466.94 | (241.67) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 08/18/97 | 06/01/27 | 117,352.04 | 129,598.92 | | | (1,426.60) | | 115,925.44 | 127,952.72 | (219.60) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 09/29/97 | 08/01/27 | 82,411.83 | 91,012.31 | | | (1,036.65) | | 81,375.18 | 89,817.84 | (157.82) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 01/29/98 | 11/01/27 | 143,139.01 | 158,077.01 | | | (3,169.86) | | 139,969.15 | 154,490.96 | (416.19) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 03/18/97 | 02/20/27 | 1,604,818.46 | 1,773,837.94 | | | (18,493.86) | | 1,586,324.60 | 1,760,154.02 | 4,809.94 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 04/15/97 | 04/20/27 | 662,464.20 | 732,234.89 | | | (6,067.85) | | 656,396.35 | 728,324.22 | 2,157.18 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 04/29/97 | 04/20/27 | 202,522.80 | 224,808.36 | | | (1,645.25) | | 200,877.55 | 224,466.56 | 1,303.45 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 04/29/97 | 04/20/27 | 557,138.42 | 615,816.13 | | | (11,560.61) | | 545,577.81 | 605,362.12 | 1,106.60 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 05/15/97 | 05/20/27 | 475,934.44 | 526,059.79 | | | (4,138.46) | | 471,795.98 | 523,495.31 | 1,573.98 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 05/29/97 | 05/20/27 | 57,809.16 | 64,170.51 | | | (578.46) | | 57,230.70 | 63,951.34 | 359.29 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 06/17/97 | 06/20/27 | 885,751.26 | 979,038.53 | | | (8,443.43) | | 877,307.83 | 973,443.14 | 2,848.04 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 06/26/97 | 06/20/27 | 239,464.88 | 264,685.37 | | | (2,207.76) | | 237,257.12 | 263,255.82 | 778.21 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 07/15/97 | 05/20/27 | 295,965.80 | 328,533.91 | | | (3,269.66) | | 292,696.14 | 327,067.47 | 1,803.22 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 07/15/97 | 06/20/27 | 300,432.67 | 332,074.23 | | | (3,151.38) | | 297,281.29 | 329,857.36 | 934.51 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 07/30/97 | 07/20/27 | 481,363.55 | 532,060.70 | | | (4,049.88) | | 477,313.67 | 529,617.66 | 1,606.84 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 08/18/97 | 07/20/27 | 839,315.18 | 927,711.85 | | | (7,956.09) | | 831,359.09 | 922,459.43 | 2,703.67 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 08/28/97 | 08/20/27 | 742,292.67 | 820,470.83 | | | (7,257.30) | | 735,035.37 | 815,580.48 | 2,366.95 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 08/28/97 | 08/20/27 | 268,820.78 | 298,401.82 | | | (2,211.92) | | 266,608.86 | 297,916.74 | 1,726.84 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 09/18/97 | 09/20/27 | 177,282.03 | 195,953.35 | | | (61,352.33) | | 115,929.70 | 128,633.24 | (5,967.78) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 09/29/97 | 09/20/27 | 318,908.92 | 352,496.37 | | | (4,420.50) | | 314,488.42 | 348,950.03 | 874.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 10/15/97 | 09/20/27 | 337,454.80 | 372,995.56 | | | (3,343.80) | | 334,111.00 | 370,722.90 | 1,071.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 10/15/97 | 08/20/27 | 59,682.99 | 66,250.49 | | | (533.65) | | 59,149.34 | 66,095.23 | 378.39 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 10/30/97 | 10/20/27 | 340,360.37 | 376,207.11 | | | (10,650.33) | | 329,710.04 | 365,839.65 | 282.87 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 6.25 | 11/17/97 | 10/20/27 | 229,000.50 | 253,118.79 | | | (1,891.12) | | 227,109.38 | 251,995.98 | 768.31 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 11/25/97 | 10/20/27 | 133,628.95 | 148,333.47 | | | (1,038.60) | | 132,590.35 | 148,160.42 | 865.55 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 11/25/97 | 11/20/27 | 377,102.16 | 416,818.50 | | | (12,751.94) | | 364,350.22 | 404,275.66 | 209.10 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 12/17/97 | 11/20/27 | 524,478.94 | 579,717.06 | | | (5,538.94) | | 518,940.00 | 575,805.45 | 1,627.33 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 01/29/98 | 01/20/28 | 747,899.91 | 827,730.72 | | | (8,723.29) | | 739,176.62 | 826,502.92 | 7,495.49 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 02/12/98 | 12/20/27 | 213,376.50 | 236,856.46 | | | (1,935.79) | | 211,440.71 | 236,270.19 | 1,349.52 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 04/16/98 | 02/20/28 | 328,794.50 | 365,244.92 | | | (3,311.11) | | 325,483.39 | 366,676.84 | 4,743.03 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 04/29/98 | 04/20/28 | 516,684.74 | 571,835.69 | | | (54,576.64) | | 462,108.10 | 516,701.59 | (557.46) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 07/06/98 | 05/20/28 | 138,611.78 | 153,406.96 | | | (1,071.11) | | 137,540.67 | 153,789.48 | 1,453.63 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 08/13/98 | 06/20/28 | 156,699.46 | 174,071.15 | | | (1,461.49) | | 155,237.97 | 174,884.88 | 2,275.22 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 08/27/98 | 07/20/28 | 189,627.95 | 209,868.88 | | | (4,024.29) | | 185,603.66 | 207,530.90 | 1,686.31 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 09/24/98 | 08/20/28 | 119,852.57 | 132,645.59 | | | (874.36) | | 118,978.21 | 133,034.24 | 1,263.01 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 10/01/98 | 08/20/28 | 141,326.39 | 156,411.54 | | | (1,611.06) | | 139,715.33 | 156,221.27 | 1,420.79 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 10/29/98 | 09/20/28 | 51,849.30 | 57,383.69 | | | (1,079.84) | | 50,769.46 | 56,767.35 | 463.50 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 12/15/98 | 09/20/28 | 142,023.26 | 157,767.95 | | | (1,399.09) | | 140,624.17 | 158,421.56 | 2,052.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 12/29/98 | 10/20/28 | 558,419.18 | 618,024.87 | | | (7,532.19) | | 550,886.99 | 615,968.82 | 5,476.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.45 | 01/28/99 | 11/20/28 | 35,484.45 | 39,418.25 | | | (252.76) | | 35,231.69 | 39,690.60 | 525.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 03/18/99 | 02/20/29 | 322,332.03 | 348,914.73 | | | (3,105.68) | | 319,226.35 | 347,525.74 | 1,716.69 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 06/24/99 | 05/20/29 | 443,008.76 | 479,543.69 | | | (5,444.50) | | 437,564.26 | 476,354.34 | 2,255.15 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 07/29/99 | 06/20/29 | 324,605.46 | 351,375.68 | | | (3,204.25) | | 321,401.21 | 349,893.43 | 1,722.00 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 10/14/99 | 08/20/29 | 143,632.71 | 155,478.14 | | | (1,808.05) | | 141,824.66 | 154,397.45 | 727.36 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 08/26/99 | 07/20/29 | 261,287.79 | 282,836.16 | | | (9,012.18) | | 252,275.61 | 274,639.81 | 815.83 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 10/20/99 | 07/20/29 | 173,387.10 | 191,991.54 | | | (1,501.86) | | 171,885.24 | 192,050.82 | 1,561.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 11/23/99 | 10/20/29 | 43,201.94 | 47,837.50 | | | (276.10) | | 42,925.84 | 47,961.89 | 400.49 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 12/01/99 | 10/20/29 | 160,283.48 | 173,502.03 | | | (1,922.02) | | 158,361.46 | 172,400.18 | 820.17 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.45 | 01/27/00 | 12/20/29 | 774,496.30 | 838,369.02 | | | (7,269.99) | | 767,226.31 | 835,240.93 | 4,141.90 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.25 | 01/27/00 | 12/20/29 | 198,525.57 | 219,827.40 | | | (1,579.54) | | 196,946.03 | 220,051.77 | 1,803.91 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.45 | 01/28/00 | 07/01/29 | 160,064.30 | 172,702.94 | | | (1,188.81) | | 158,875.49 | 172,429.12 | 914.99 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.25 | 01/28/00 | 09/01/29 | 136,670.99 | 151,431.45 | | | (2,021.18) | | 134,649.81 | 149,251.23 | (159.04) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/10/06 | 07/20/36 | 520,923.05 | 562,519.34 | | | (2,901.20) | | 518,021.85 | 563,805.16 | 4,187.02 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 08/16/06 | 08/20/36 | 180,531.84 | 196,109.00 | | | (714.88) | | 179,816.96 | 196,530.38 | 1,136.26 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 08/16/06 | 08/20/36 | 230,398.53 | 251,626.04 | | | (1,009.06) | | 229,389.47 | 251,674.42 | 1,057.44 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 08/23/06 | 08/20/36 | 562,967.32 | 611,546.64 | | | (2,573.27) | | 560,394.05 | 612,484.71 | 3,511.34 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/23/06 | 08/01/36 | 966,358.69 | 1,041,722.67 | | | (4,627.54) | | 961,731.15 | 1,044,928.31 | 7,833.18 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/06/06 | 08/20/36 | 1,633,103.48 | 1,774,049.85 | | | (7,418.56) | | 1,625,684.92 | 1,776,821.56 | 10,190.27 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/06/06 | 09/20/36 | 744,371.65 | 811,844.35 | | | (4,345.92) | | 740,025.73 | 810,815.97 | 3,317.54 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/06/06 | 08/20/36 | 1,699,084.74 | 1,834,812.41 | | | (7,851.98) | | 1,691,232.76 | 1,840,759.67 | 13,799.24 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/12/06 | 09/20/36 | 891,152.77 | 968,074.23 | | | (4,169.32) | | 886,983.45 | 969,453.31 | 5,548.40 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/12/06 | 09/20/36 | 1,229,779.02 | 1,328,053.43 | | | (111,234.24) | | 1,118,544.78 | 1,217,471.81 | 652.62 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/12/06 | 09/20/36 | 207,205.08 | 226,302.30 | | | (1,958.78) | | 205,246.30 | 225,192.11 | 848.59 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/20/06 | 09/20/36 | 1,712,308.47 | 1,860,122.68 | | | (152,202.81) | | 1,560,105.66 | 1,705,174.85 | (2,745.02) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/20/06 | 09/20/36 | 3,587,086.19 | 3,867,025.82 | | | (434,297.67) | | 3,152,788.52 | 3,425,701.99 | (7,026.16) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/20/06 | 09/20/36 | 337,356.80 | 368,452.19 | | | (87,337.60) | | 250,019.20 | 274,318.28 | (6,796.31) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/26/06 | 09/20/36 | 1,066,977.07 | 1,152,256.80 | | | (4,687.48) | | 1,062,289.59 | 1,156,256.52 | 8,687.20 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/26/06 | 09/20/36 | 1,250,867.41 | 1,358,856.13 | | | (5,311.61) | | 1,245,555.80 | 1,361,382.87 | 7,838.35 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/05/06 | 10/20/36 | 2,210,927.41 | 2,401,828.21 | | | (9,742.54) | | 2,201,184.87 | 2,405,909.62 | 13,823.95 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 10/17/06 | 10/20/36 | 1,194,479.83 | 1,302,807.41 | | | (126,513.86) | | 1,067,965.97 | 1,170,175.21 | (6,118.34) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/05/06 | 10/20/36 | 2,581,540.94 | 2,783,057.47 | | | (244,665.42) | | 2,336,875.52 | 2,539,207.67 | 815.62 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/17/06 | 10/20/36 | 2,001,391.57 | 2,174,224.40 | | | (66,054.15) | | 1,935,337.42 | 2,115,358.00 | 7,187.75 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/17/06 | 10/20/36 | 2,389,180.22 | 2,580,198.86 | | | (109,679.34) | | 2,279,500.88 | 2,481,196.19 | 10,676.67 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 10/24/06 | 10/20/36 | 1,365,478.26 | 1,491,391.83 | | | (5,673.79) | | 1,359,804.47 | 1,492,014.83 | 6,296.79 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/24/06 | 10/20/36 | 2,051,620.79 | 2,228,804.70 | | | (55,158.92) | | 1,996,461.87 | 2,182,183.48 | 8,537.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/24/06 | 10/20/36 | 2,019,654.62 | 2,181,142.32 | | | (8,714.12) | | 2,010,940.50 | 2,188,888.47 | 16,460.27 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/02/06 | 11/20/36 | 1,758,808.63 | 1,910,729.56 | | | (131,483.06) | | 1,627,325.57 | 1,778,729.72 | (516.78) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/02/06 | 10/20/36 | 1,609,256.10 | 1,737,944.97 | | | (7,632.89) | | 1,601,623.21 | 1,743,364.84 | 13,052.76 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 11/14/06 | 11/20/36 | 810,405.03 | 885,155.67 | | | (3,080.34) | | 807,324.69 | 885,839.47 | 3,764.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/14/06 | 10/20/36 | 1,079,841.38 | 1,173,123.30 | | | (4,272.07) | | 1,075,569.31 | 1,175,647.12 | 6,795.89 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/14/06 | 11/20/36 | 1,903,345.70 | 2,055,583.41 | | | (8,428.10) | | 1,894,917.60 | 2,062,646.66 | 15,491.35 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/21/06 | 11/20/36 | 1,751,744.49 | 1,903,087.90 | | | (7,421.05) | | 1,744,323.44 | 1,906,647.59 | 10,980.74 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 11/21/06 | 11/20/36 | 289,964.87 | 316,273.31 | | | (1,099.51) | | 288,865.36 | 316,522.90 | 1,349.10 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/21/06 | 11/20/36 | 1,159,909.36 | 1,252,691.48 | | | (5,792.57) | | 1,154,116.79 | 1,256,282.60 | 9,383.69 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/28/06 | 11/20/36 | 1,521,919.96 | 1,653,419.21 | | | (7,010.81) | | 1,514,909.15 | 1,655,894.40 | 9,486.00 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 11/28/06 | 11/20/36 | 260,149.21 | 284,148.71 | | | (975.14) | | 259,174.07 | 284,383.23 | 1,209.66 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/28/06 | 11/20/36 | 292,248.23 | 315,627.63 | | | (1,180.05) | | 291,068.18 | 316,836.30 | 2,388.72 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/12/06 | 12/20/36 | 1,208,399.50 | 1,312,830.69 | | | (91,410.29) | | 1,116,989.21 | 1,220,962.92 | (457.48) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 12/12/06 | 12/20/36 | 842,345.00 | 920,068.64 | | | (39,047.29) | | 803,297.71 | 881,447.52 | 426.17 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/12/06 | 11/20/36 | 1,830,527.05 | 1,976,992.35 | | | (10,102.91) | | 1,820,424.14 | 1,981,611.42 | 14,721.98 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/27/06 | 12/20/36 | 2,666,186.02 | 2,896,641.65 | | | (71,927.38) | | 2,594,258.64 | 2,835,782.50 | 11,068.23 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 12/27/06 | 12/20/36 | 510,169.48 | 556,477.88 | | | (2,086.52) | | 508,082.96 | 556,750.47 | 2,359.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/27/06 | 12/20/36 | 1,676,622.27 | 1,810,804.36 | | | (6,855.75) | | 1,669,766.52 | 1,817,647.07 | 13,698.46 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/10/07 | 12/20/36 | 1,538,072.70 | 1,671,040.17 | | | (6,179.06) | | 1,531,893.64 | 1,674,533.95 | 9,672.84 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/09/07 | 12/20/36 | 684,232.65 | 746,349.89 | | | (3,163.60) | | 681,069.05 | 746,315.30 | 3,129.01 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/09/07 | 12/01/36 | 1,060,976.83 | 1,137,390.77 | | | (4,473.05) | | 1,056,503.78 | 1,141,758.69 | 8,840.97 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/16/07 | 12/20/36 | 889,342.60 | 966,232.73 | | | (4,835.19) | | 884,507.41 | 966,872.05 | 5,474.51 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/16/07 | 01/20/37 | 726,934.15 | 792,709.15 | | | (2,785.50) | | 724,148.65 | 793,112.97 | 3,189.32 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 01/30/07 | 01/20/37 | 2,130,304.33 | 2,297,090.76 | | | (8,765.15) | | 2,121,539.18 | 2,306,018.49 | 17,692.88 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/30/07 | 01/20/37 | 1,243,020.47 | 1,348,414.59 | | | (5,589.82) | | 1,237,430.65 | 1,350,844.86 | 8,020.09 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/30/07 | 01/20/37 | 340,860.33 | 371,707.19 | | | (1,280.17) | | 339,580.16 | 371,924.98 | 1,497.96 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 02/13/07 | 01/20/37 | 1,302,214.10 | 1,412,645.75 | | | (5,394.43) | | 1,296,819.67 | 1,415,695.68 | 8,444.36 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 02/13/07 | 01/20/37 | 1,354,517.83 | 1,460,585.33 | | | (107,058.34) | | 1,247,459.49 | 1,355,950.66 | 2,423.67 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 02/13/07 | 02/20/37 | 190,964.85 | 208,250.01 | | | (698.70) | | 190,266.15 | 208,392.51 | 841.20 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 02/20/07 | 02/20/37 | 746,863.64 | 810,208.07 | | | (2,953.48) | | 743,910.16 | 812,110.62 | 4,856.03 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 02/20/07 | 02/20/37 | 960,866.42 | 1,036,118.94 | | | (23,602.23) | | 937,264.19 | 1,018,788.05 | 6,271.34 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 02/20/07 | 02/20/37 | 400,981.51 | 437,279.32 | | | (48,466.54) | | 352,514.97 | 386,100.79 | (2,711.99) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 03/06/07 | 02/20/37 | 749,851.42 | 813,459.92 | | | (2,929.80) | | 746,921.62 | 815,408.85 | 4,878.73 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 03/06/07 | 02/20/37 | 164,383.96 | 179,266.73 | | | (601.05) | | 163,782.91 | 179,389.65 | 723.97 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 03/20/07 | 02/20/37 | 74,094.57 | 80,803.95 | | | (270.23) | | 73,824.34 | 80,860.10 | 326.38 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 03/20/07 | 03/20/37 | 965,924.49 | 1,041,603.68 | | | (153,357.27) | | 812,567.22 | 883,271.64 | (4,974.77) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 03/20/07 | 03/20/37 | 671,884.35 | 728,890.85 | | | (3,021.66) | | 668,862.69 | 730,205.04 | 4,335.85 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 03/06/07 | 02/20/37 | 396,360.16 | 427,407.63 | | | (1,612.66) | | 394,747.50 | 429,088.51 | 3,293.54 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 04/24/07 | 04/20/37 | 1,034,587.28 | 1,115,687.84 | | | (4,200.79) | | 1,030,386.49 | 1,120,084.92 | 8,597.87 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 04/24/07 | 04/20/37 | 669,261.79 | 729,893.66 | | | (2,752.46) | | 666,509.33 | 730,059.59 | 2,918.39 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 04/24/07 | 04/20/37 | 564,317.28 | 612,220.08 | | | (2,166.79) | | 562,150.49 | 613,728.45 | 3,675.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 03/27/07 | 03/20/37 | 728,739.76 | 785,841.34 | | | (126,887.41) | | 601,852.35 | 654,225.68 | (4,728.25) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 03/27/07 | 02/20/37 | 203,894.79 | 222,359.25 | | | (746.22) | | 203,148.57 | 222,510.94 | 897.91 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 04/24/07 | 03/20/37 | 372,752.29 | 404,392.20 | | | (1,674.85) | | 371,077.44 | 405,122.59 | 2,405.24 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 04/10/07 | 03/20/37 | 607,781.24 | 659,362.18 | | | (2,317.62) | | 605,463.62 | 661,004.24 | 3,959.68 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 04/10/07 | 03/20/37 | 781,052.59 | 842,264.31 | | | (3,167.77) | | 777,884.82 | 845,587.66 | 6,491.12 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 04/10/07 | 03/20/37 | 88,490.48 | 96,505.63 | | | (319.39) | | 88,171.09 | 96,576.36 | 390.12 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 05/08/07 | 04/20/37 | 504,235.87 | 543,769.68 | | | (116,668.60) | | 387,567.27 | 421,311.74 | (5,789.34) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 05/08/07 | 04/20/37 | 275,201.40 | 300,137.27 | | | (1,000.57) | | 274,200.83 | 300,349.26 | 1,212.56 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 05/08/07 | 05/20/37 | 505,346.23 | 548,252.06 | | | (224,298.94) | | 281,047.29 | 306,838.68 | (17,114.44) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 05/22/07 | 05/20/37 | 901,901.77 | 978,489.52 | | | (3,647.65) | | 898,254.12 | 980,699.69 | 5,857.82 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 05/22/07 | 05/20/37 | 936,644.48 | 1,010,096.96 | | | (105,143.96) | | 831,500.52 | 903,912.69 | (1,040.31) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 06/05/07 | 05/20/37 | 809,178.47 | 877,903.85 | | | (3,164.53) | | 806,013.94 | 880,004.86 | 5,265.54 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 06/05/07 | 05/20/37 | 140,635.29 | 153,382.63 | | | (517.98) | | 140,117.31 | 153,483.83 | 619.18 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 06/05/07 | 05/20/37 | 1,452,324.19 | 1,566,237.27 | | | (6,682.07) | | 1,445,642.12 | 1,571,558.08 | 12,002.88 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 06/19/07 | 05/20/37 | 334,371.89 | 362,776.00 | | | (103,713.72) | | 230,658.17 | 251,835.58 | (7,226.70) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 06/19/07 | 06/20/37 | 799,581.18 | 862,311.17 | | | (80,632.68) | | 718,948.50 | 781,581.81 | (96.68) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 06/19/07 | 06/20/37 | 346,125.23 | 377,504.98 | | | (1,306.40) | | 344,818.83 | 377,719.09 | 1,520.51 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 08/07/07 | 07/20/37 | 271,184.89 | 294,371.62 | | | (54,394.10) | | 216,790.79 | 236,814.85 | (3,162.67) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 08/07/07 | 08/20/37 | 986,840.14 | 1,076,857.81 | | | (114,516.71) | | 872,323.43 | 956,039.50 | (6,301.60) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/07/07 | 07/20/37 | 1,365,103.66 | 1,472,948.09 | | | (6,770.71) | | 1,358,332.95 | 1,477,411.56 | 11,234.18 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 07/03/07 | 05/20/37 | 730,847.29 | 792,941.47 | | | (2,781.50) | | 728,065.79 | 794,922.08 | 4,762.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 07/03/07 | 06/20/37 | 518,647.86 | 558,370.18 | | | (2,008.21) | | 516,639.65 | 560,684.69 | 4,322.72 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 07/17/07 | 06/20/37 | 473,277.39 | 513,496.24 | | | (1,767.73) | | 471,509.66 | 514,815.96 | 3,087.45 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 07/17/07 | 06/20/37 | 290,792.09 | 313,067.46 | | | (1,143.87) | | 289,648.22 | 314,346.03 | 2,422.44 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 11/21/07 | 10/20/37 | 64,665.01 | 70,571.56 | | | (299.59) | | 64,365.42 | 70,550.44 | 278.47 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/21/07 | 10/20/37 | 455,739.24 | 494,763.16 | | | (1,711.91) | | 454,027.33 | 496,021.59 | 2,970.34 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/25/07 | 09/20/37 | 1,076,726.04 | 1,168,852.82 | | | (4,453.41) | | 1,072,272.63 | 1,171,380.36 | 6,980.95 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/25/07 | 09/20/37 | 990,853.52 | 1,069,191.28 | | | (4,105.86) | | 986,747.66 | 1,073,311.89 | 8,226.47 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/25/07 | 08/20/37 | 278,284.50 | 303,683.79 | | | (1,160.18) | | 277,124.32 | 303,734.40 | 1,210.79 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/25/07 | 09/20/37 | 124,074.35 | 135,399.16 | | | (586.82) | | 123,487.53 | 135,345.64 | 533.30 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/09/07 | 09/20/37 | 1,017,835.31 | 1,104,938.89 | | | (3,987.38) | | 1,013,847.93 | 1,107,570.12 | 6,618.61 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 10/09/07 | 06/20/37 | 93,575.36 | 102,116.91 | | | (331.07) | | 93,244.29 | 102,198.64 | 412.80 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/09/07 | 09/20/37 | 283,489.92 | 305,907.21 | | | (1,124.80) | | 282,365.12 | 307,140.15 | 2,357.74 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 08/23/07 | 08/20/37 | 605,977.61 | 657,802.29 | | | (2,454.97) | | 603,522.64 | 659,280.87 | 3,933.55 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/23/07 | 07/20/37 | 840,353.55 | 906,756.89 | | | (3,438.54) | | 836,915.01 | 910,298.07 | 6,979.72 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/11/07 | 09/20/37 | 427,211.21 | 463,757.67 | | | (1,570.84) | | 425,640.37 | 464,974.75 | 2,787.92 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 09/11/07 | 08/20/37 | 517,056.66 | 564,240.94 | | | (1,926.02) | | 515,130.64 | 564,586.62 | 2,271.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/11/07 | 08/20/37 | 448,714.74 | 483,338.41 | | | (1,744.20) | | 446,970.54 | 485,332.57 | 3,738.36 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/28/07 | 11/20/37 | 404,252.82 | 438,872.51 | | | (2,158.46) | | 402,094.36 | 439,289.65 | 2,575.60 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/11/07 | 11/20/37 | 282,345.65 | 304,162.70 | | | (1,066.11) | | 281,279.54 | 305,451.70 | 2,355.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/25/07 | 10/20/37 | 435,525.36 | 472,805.55 | | | (1,582.59) | | 433,942.77 | 474,066.45 | 2,843.49 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/25/07 | 10/20/37 | 1,076,253.44 | 1,159,357.74 | | | (4,575.92) | | 1,071,677.52 | 1,163,714.89 | 8,933.07 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 10/25/07 | 09/20/36 | 161,139.97 | 176,141.74 | | | (659.22) | | 160,480.75 | 176,225.23 | 742.71 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 10/25/07 | 10/20/37 | 675,374.26 | 733,185.08 | | | (3,181.90) | | 672,192.36 | 734,345.35 | 4,342.17 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/08/07 | 10/20/37 | 681,885.54 | 740,264.15 | | | (115,004.22) | | 566,881.32 | 619,305.65 | (5,954.28) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/08/07 | 10/20/37 | 391,195.71 | 422,144.04 | | | (1,471.87) | | 389,723.84 | 423,932.76 | 3,260.59 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/16/08 | 12/20/37 | 62,274.92 | 67,967.41 | | | (334.91) | | 61,940.01 | 67,896.20 | 263.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/28/07 | 11/20/37 | 264,998.75 | 287,701.66 | | | (950.25) | | 264,048.50 | 288,482.79 | 1,731.38 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 12/28/07 | 12/20/37 | 65,268.14 | 71,232.86 | | | (226.77) | | 65,041.37 | 71,294.43 | 288.34 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 12/28/07 | 12/20/37 | 584,424.31 | 637,833.71 | | | (2,202.68) | | 582,221.63 | 638,196.28 | 2,565.25 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/11/07 | 11/20/37 | 847,620.38 | 920,221.63 | | | (3,072.34) | | 844,548.04 | 922,684.15 | 5,534.86 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/20/07 | 11/20/37 | 73,986.03 | 80,323.86 | | | (268.67) | | 73,717.36 | 80,538.27 | 483.08 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/20/07 | 12/20/37 | 78,832.33 | 85,073.08 | | | (292.85) | | 78,539.48 | 85,437.65 | 657.42 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/16/08 | 12/20/37 | 46,100.40 | 50,050.99 | | | (431.13) | | 45,669.27 | 49,896.45 | 276.59 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 01/30/08 | 12/20/37 | 87,532.17 | 95,034.65 | | | (313.38) | | 87,218.79 | 95,293.21 | 571.94 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/30/08 | 12/20/37 | 293,760.00 | 320,616.82 | | | (1,055.73) | | 292,704.27 | 320,855.44 | 1,294.35 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 02/13/08 | 12/20/37 | 147,440.24 | 160,079.97 | | | (930.92) | | 146,509.32 | 160,074.98 | 925.93 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 01/30/08 | 01/20/38 | 64,799.89 | 70,552.07 | | | (219.52) | | 64,580.37 | 70,695.70 | 363.15 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 02/13/08 | 01/20/38 | 186,726.61 | 203,304.91 | | | (646.78) | | 186,079.83 | 203,703.23 | 1,045.10 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 02/19/08 | 12/20/37 | 131,304.65 | 142,561.95 | | | (1,004.40) | | 130,300.25 | 142,365.90 | 808.35 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 02/19/08 | 01/20/38 | 212,543.12 | 231,414.88 | | | (754.83) | | 211,788.29 | 231,847.91 | 1,187.86 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 02/27/08 | 02/20/38 | 180,624.49 | 194,474.38 | | | (674.27) | | 179,950.22 | 195,557.22 | 1,757.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 02/27/08 | 02/20/38 | 268,960.10 | 291,163.61 | | | (1,009.22) | | 267,950.88 | 292,528.58 | 2,374.19 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 03/20/08 | 02/20/38 | 269,771.71 | 292,048.71 | | | (975.35) | | 268,796.36 | 293,458.15 | 2,384.79 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 03/20/08 | 10/20/37 | 104,777.56 | 113,082.17 | | | (393.93) | | 104,383.63 | 113,561.54 | 873.30 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 03/27/08 | 03/20/38 | 313,781.45 | 339,696.07 | | | (113,797.94) | | 199,983.51 | 218,333.98 | (7,564.15) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 04/24/08 | 04/20/38 | 215,039.02 | 232,806.00 | | | (96,916.51) | | 118,122.51 | 128,965.48 | (6,924.01) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 04/24/08 | 04/20/38 | 336,367.61 | 362,182.65 | | | (1,300.52) | | 335,067.09 | 364,150.56 | 3,268.43 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 04/22/08 | 03/20/38 | 124,129.44 | 134,384.59 | | | (444.72) | | 123,684.72 | 135,037.57 | 1,097.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 04/22/08 | 03/20/38 | 252,304.77 | 274,726.13 | | | (906.81) | | 251,397.96 | 275,228.40 | 1,409.08 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 05/07/08 | 04/20/38 | 277,262.60 | 298,545.46 | | | (1,029.62) | | 276,232.98 | 300,213.66 | 2,697.82 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 05/07/08 | 04/20/38 | 262,710.29 | 286,061.60 | | | (882.85) | | 261,827.44 | 286,651.77 | 1,473.02 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 05/14/08 | 04/20/38 | 328,173.17 | 355,294.70 | | | (1,184.42) | | 326,988.75 | 357,011.63 | 2,901.35 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 05/21/08 | 05/20/38 | 584,315.19 | 628,078.65 | | | (2,147.96) | | 582,167.23 | 631,617.05 | 5,686.36 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 06/11/08 | 05/20/38 | 251,857.90 | 271,201.06 | | | (1,970.86) | | 249,887.04 | 271,590.93 | 2,360.73 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 07/09/08 | 06/20/38 | 286,264.61 | 311,731.31 | | | (950.13) | | 285,314.48 | 312,387.44 | 1,606.26 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 07/09/08 | 03/20/38 | 97,167.52 | 105,203.68 | | | (339.75) | | 96,827.77 | 105,724.00 | 860.07 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 07/16/08 | 06/20/38 | 116,946.54 | 125,933.12 | | | (419.63) | | 116,526.91 | 126,652.73 | 1,139.24 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 06/18/08 | 03/20/38 | 28,222.44 | 30,732.32 | | | (95.34) | | 28,127.10 | 30,795.14 | 158.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 06/25/08 | 05/20/38 | 179,042.20 | 194,966.82 | | | (598.40) | | 178,443.80 | 195,372.64 | 1,004.22 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 06/25/08 | 05/20/38 | 351,887.12 | 380,985.81 | | | (59,178.61) | | 292,708.51 | 319,598.45 | (2,208.75) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 07/23/08 | 06/20/38 | 325,306.63 | 352,218.32 | | | (1,121.46) | | 324,185.17 | 353,977.84 | 2,880.98 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 07/29/08 | 06/20/38 | 153,829.72 | 166,556.80 | | | (526.61) | | 153,303.11 | 167,392.70 | 1,362.51 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/27/08 | 08/20/38 | 244,283.44 | 263,067.48 | | | (873.14) | | 243,410.30 | 264,574.66 | 2,380.32 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 08/13/08 | 07/20/38 | 73,306.50 | 79,831.07 | | | (239.93) | | 73,066.57 | 80,002.80 | 411.66 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 08/13/08 | 07/20/38 | 160,001.01 | 173,241.68 | | | (547.15) | | 159,453.86 | 174,111.96 | 1,417.43 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 08/13/08 | 07/20/38 | 251,051.64 | 270,351.79 | | | (948.78) | | 250,102.86 | 271,844.49 | 2,441.48 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 5.63 | 08/27/08 | 08/20/38 | 104,949.80 | 114,292.59 | | | (339.23) | | 104,610.57 | 114,543.24 | 589.88 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/10/08 | 09/20/38 | 410,715.02 | 442,304.38 | | | (1,618.44) | | 409,096.58 | 444,674.51 | 3,988.57 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/24/08 | 07/20/38 | 108,166.92 | 117,123.22 | | | (368.11) | | 107,798.81 | 117,713.52 | 958.41 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 09/24/08 | 08/20/38 | 121,867.48 | 131,242.27 | | | (520.04) | | 121,347.44 | 131,902.27 | 1,180.04 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 09/24/08 | 09/20/38 | 229,775.88 | 248,802.46 | | | (810.82) | | 228,965.06 | 250,025.19 | 2,033.55 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/15/08 | 08/20/38 | 125,373.69 | 135,021.21 | | | (446.64) | | 124,927.05 | 135,796.26 | 1,221.69 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 10/15/08 | 08/20/38 | 123,235.82 | 134,213.39 | | | (398.19) | | 122,837.63 | 134,507.75 | 692.55 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 10/15/08 | 09/20/38 | 66,317.78 | 71,421.09 | | | (233.25) | | 66,084.53 | 71,834.32 | 646.48 | 0.00 |
| GNMA | 2006 ABCDE Single Family | | | | 161,029.61 | 175,376.80 | | | (161,029.61) | | | | (14,347.19) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/12/08 | 10/20/38 | 278,115.65 | 299,526.68 | | | (988.48) | | 277,127.17 | 301,248.52 | 2,710.32 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/12/08 | 10/20/38 | 86,221.36 | 93,365.92 | | | (290.15) | | 85,931.21 | 93,840.08 | 764.31 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 11/25/08 | 09/20/38 | 134,711.70 | 145,084.37 | | | (660.44) | | 134,051.26 | 145,720.78 | 1,296.85 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 11/25/08 | 11/20/38 | 474,783.45 | 514,133.19 | | | (1,587.95) | | 473,195.50 | 516,754.84 | 4,209.60 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.63 | 12/10/08 | 10/20/38 | 130,580.53 | 142,221.29 | | | (422.87) | | 130,157.66 | 142,532.16 | 733.74 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/10/08 | 11/20/38 | 160,133.07 | 173,407.63 | | | (531.92) | | 159,601.15 | 174,295.85 | 1,420.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/10/08 | 11/20/38 | 339,073.02 | 365,188.39 | | | (1,245.69) | | 337,827.33 | 367,243.60 | 3,300.90 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/17/08 | 11/20/38 | 202,378.79 | 219,156.94 | | | (1,161.98) | | 201,216.81 | 219,744.68 | 1,749.72 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/17/08 | 12/20/38 | 410,432.83 | 443,302.17 | | | (1,441.99) | | 408,990.84 | 445,666.69 | 3,806.51 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/17/08 | 11/20/38 | 201,502.18 | 217,638.95 | | | (80,558.70) | | 120,943.48 | 131,788.70 | (5,291.55) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/17/08 | 12/20/38 | 278,918.50 | 301,255.56 | | | (945.17) | | 277,973.33 | 302,900.30 | 2,589.91 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/17/08 | 12/20/38 | 484,363.08 | 521,673.39 | | | (1,689.10) | | 482,673.98 | 524,707.48 | 4,723.19 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/17/08 | 11/20/38 | 283,076.73 | 305,746.17 | | | (964.70) | | 282,112.03 | 307,409.50 | 2,628.03 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/23/08 | 12/20/38 | 672,643.46 | 726,516.22 | | | (87,222.93) | | 585,420.53 | 637,921.42 | (1,371.87) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/23/08 | 10/20/38 | 255,280.72 | 275,725.60 | | | (872.14) | | 254,408.58 | 277,222.96 | 2,369.50 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.13 | 12/30/08 | 12/20/38 | 81,470.13 | 87,746.89 | | | (282.22) | | 81,187.91 | 88,259.28 | 794.61 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.38 | 12/30/08 | 11/20/38 | 131,421.20 | 142,318.64 | | | (608.48) | | 130,812.72 | 142,859.86 | 1,149.70 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.25 | 12/30/08 | 12/20/38 | 93,986.71 | 101,514.93 | | | (325.71) | | 93,661.00 | 102,061.31 | 872.09 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.15 | 12/30/08 | 12/20/38 | 259,904.21 | 280,109.64 | | | (896.63) | | 259,007.58 | 281,721.45 | 2,508.44 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 08/09/06 | 08/01/36 | 549,838.58 | 587,062.91 | | | (3,154.31) | | 546,684.27 | 587,826.80 | 3,918.20 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 08/10/06 | 07/01/36 | 356,043.92 | 376,650.90 | | | (1,719.55) | | 354,324.37 | 379,833.57 | 4,902.22 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 08/23/06 | 08/01/36 | 302,804.68 | 323,306.30 | | | (2,398.23) | | 300,406.45 | 323,016.13 | 2,108.06 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 08/23/06 | 08/01/36 | 440,792.69 | 474,271.73 | | | (1,745.89) | | 439,046.80 | 473,660.92 | 1,135.08 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 08/23/06 | 08/01/36 | 719,793.33 | 761,458.53 | | | (146,985.87) | | 572,807.46 | 614,050.38 | (422.28) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/06/06 | 09/01/36 | 916,048.14 | 978,077.82 | | | (4,124.57) | | 911,923.57 | 980,566.22 | 6,612.97 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 09/06/06 | 08/01/36 | 347,945.48 | 374,374.85 | | | (1,341.31) | | 346,604.17 | 373,932.41 | 898.87 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 09/12/06 | 09/01/36 | 965,006.70 | 1,020,893.76 | | | (4,244.22) | | 960,762.48 | 1,029,966.63 | 13,317.09 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/12/06 | 09/01/36 | 511,970.92 | 546,639.85 | | | (2,765.94) | | 509,204.98 | 547,535.15 | 3,661.24 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 09/20/06 | 09/01/36 | 269,371.30 | 289,834.35 | | | (1,092.43) | | 268,278.87 | 289,433.56 | 691.64 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/20/06 | 09/01/36 | 580,024.05 | 619,303.18 | | | (3,070.14) | | 576,953.91 | 620,385.73 | 4,152.69 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 09/20/06 | 09/01/36 | 648,231.73 | 685,775.29 | | | (136,481.01) | | 511,750.72 | 548,614.04 | (680.24) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/26/06 | 09/01/36 | 552,479.15 | 589,894.71 | | | (85,683.02) | | 466,796.13 | 501,937.01 | (2,274.68) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 10/05/06 | 09/01/36 | 991,983.33 | 1,059,166.66 | | | (4,047.02) | | 987,936.31 | 1,062,312.37 | 7,192.73 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 10/17/06 | 09/01/36 | 580,565.70 | 624,675.80 | | | (2,597.35) | | 577,968.35 | 623,549.91 | 1,471.46 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 10/17/06 | 10/01/36 | 1,384,472.87 | 1,464,676.29 | | | (159,295.81) | | 1,225,177.06 | 1,313,448.24 | 8,067.76 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 10/17/06 | 10/01/36 | 1,032,222.87 | 1,102,139.18 | | | (6,296.85) | | 1,025,926.02 | 1,103,169.83 | 7,327.50 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 10/24/06 | 11/01/36 | 1,665,772.73 | 1,778,608.88 | | | (8,290.42) | | 1,657,482.31 | 1,782,284.28 | 11,965.82 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/02/06 | 11/01/36 | 1,534,641.55 | 1,638,601.74 | | | (6,757.11) | | 1,527,884.44 | 1,642,934.85 | 11,090.22 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 11/02/06 | 10/01/36 | 561,897.82 | 604,594.50 | | | (169,342.37) | | 392,555.45 | 423,517.85 | (11,734.28) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/02/06 | 10/01/36 | 772,329.12 | 817,075.59 | | | (4,609.80) | | 767,719.32 | 823,036.70 | 10,570.91 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/14/06 | 11/01/36 | 1,116,949.95 | 1,192,620.70 | | | (4,894.18) | | 1,112,055.77 | 1,195,800.03 | 8,073.51 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 11/14/06 | 11/01/36 | 462,638.95 | 497,796.71 | | | (95,943.14) | | 366,695.81 | 395,621.27 | (6,232.30) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/14/06 | 11/01/36 | 366,155.66 | 387,372.32 | | | (1,552.70) | | 364,602.96 | 390,876.82 | 5,057.20 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/21/06 | 10/01/36 | 471,704.11 | 503,661.46 | | | (1,882.05) | | 469,822.06 | 505,202.91 | 3,423.50 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 11/21/06 | 11/01/36 | 292,811.55 | 315,064.41 | | | (51,886.07) | | 240,925.48 | 259,930.80 | (3,247.54) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/21/06 | 11/01/36 | 229,236.93 | 242,520.69 | | | (2,059.17) | | 227,177.76 | 243,549.32 | 3,087.80 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/28/06 | 11/01/36 | 283,786.56 | 303,014.27 | | | (1,140.17) | | 282,646.39 | 303,932.84 | 2,058.74 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/28/06 | 11/01/36 | 115,460.25 | 122,151.26 | | | (2,235.96) | | 113,224.29 | 121,384.03 | 1,468.73 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 11/28/06 | 11/01/36 | 376,371.95 | 404,976.40 | | | (1,560.65) | | 374,811.30 | 404,378.98 | 963.23 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 12/12/06 | 11/01/36 | 338,725.64 | 361,677.52 | | | (1,349.02) | | 337,376.62 | 362,787.07 | 2,458.57 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 12/12/06 | 11/01/36 | 367,065.06 | 394,964.23 | | | (2,396.62) | | 364,668.44 | 393,438.41 | 870.80 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2006 ABCDE Single Family | 5.13 | 12/12/06 | 11/01/36 | 450,199.36 | 474,815.58 | | | (3,431.19) | | 446,768.17 | 477,498.35 | 6,113.96 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 12/27/06 | 11/01/36 | 1,249,222.21 | 1,333,876.90 | | | (5,140.24) | | 1,244,081.97 | 1,337,791.46 | 9,054.80 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 12/27/06 | 12/01/36 | 329,166.31 | 354,187.74 | | | (1,614.12) | | 327,552.19 | 353,396.71 | 823.09 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 12/27/06 | 10/01/36 | 392,336.80 | 415,077.21 | | | (1,728.24) | | 390,608.56 | 418,762.78 | 5,413.81 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 01/09/07 | 12/01/36 | 1,229,017.47 | 1,312,312.20 | | | (152,096.75) | | 1,076,920.72 | 1,158,047.05 | (2,168.40) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 01/09/07 | 12/01/36 | 360,583.57 | 387,995.13 | | | (121,313.07) | | 239,270.50 | 258,150.74 | (8,531.32) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 01/09/07 | 12/01/36 | 241,754.60 | 255,769.07 | | | (997.14) | | 240,757.46 | 258,113.03 | 3,341.10 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 01/30/07 | 12/01/36 | 1,141,274.01 | 1,225,742.10 | | | (156,030.63) | | 985,243.38 | 1,065,594.14 | (4,117.33) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 01/30/07 | 12/01/36 | 917,851.40 | 987,635.37 | | | (63,921.70) | | 853,929.70 | 921,318.54 | (2,395.13) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 01/30/07 | 01/01/37 | 360,900.35 | 381,825.56 | | | (107,872.79) | | 253,027.56 | 271,270.41 | (2,682.36) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 02/13/07 | 01/01/37 | 907,557.41 | 969,081.28 | | | (139,747.75) | | 767,809.66 | 825,663.40 | (3,670.13) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 02/13/07 | 01/01/37 | 313,308.78 | 337,131.94 | | | (1,221.81) | | 312,086.97 | 336,718.39 | 808.26 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 02/13/07 | 01/01/37 | 352,734.09 | 373,188.04 | | | (1,588.59) | | 351,145.50 | 376,464.73 | 4,865.28 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 02/20/07 | 01/01/37 | 286,620.52 | 305,743.99 | | | (1,136.84) | | 285,483.68 | 306,445.41 | 1,838.26 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 02/20/07 | 01/01/37 | 516,626.50 | 555,911.06 | | | (86,542.25) | | 430,084.25 | 464,029.98 | (5,338.83) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 02/20/07 | 01/01/37 | 441,516.13 | 467,119.67 | | | (1,841.02) | | 439,675.11 | 471,379.16 | 6,100.51 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 03/06/07 | 02/01/37 | 555,712.05 | 592,074.23 | | | (7,716.51) | | 547,995.54 | 587,512.48 | 3,154.76 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 03/06/07 | 02/01/37 | 262,804.02 | 282,441.32 | | | (105,844.66) | | 156,959.36 | 169,076.32 | (7,520.34) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 03/20/07 | 09/01/36 | 73,922.10 | 78,209.26 | | | (1,719.83) | | 72,202.27 | 77,408.96 | 919.53 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 03/20/07 | 02/01/37 | 232,979.85 | 251,114.08 | | | (118,277.29) | | 114,702.56 | 124,283.76 | (8,553.03) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 03/20/07 | 09/01/36 | 116,167.51 | 124,043.59 | | | (565.26) | | 115,602.25 | 124,313.66 | 835.33 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 03/27/07 | 03/01/37 | 422,164.80 | 446,263.71 | | | (120,720.65) | | 301,444.15 | 322,520.07 | (3,022.99) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 04/10/07 | 03/01/37 | 947,833.64 | 1,011,095.54 | | | (3,837.64) | | 943,996.00 | 1,013,331.17 | 6,073.27 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 04/10/07 | 03/01/37 | 328,852.86 | 353,431.17 | | | (112,107.12) | | 216,745.74 | 233,481.85 | (7,842.20) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 04/10/07 | 03/01/37 | 853,214.78 | 901,925.21 | | | (3,939.45) | | 849,275.33 | 908,659.18 | 10,673.42 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 04/24/07 | 04/01/37 | 1,236,608.17 | 1,320,482.35 | | | (5,124.81) | | 1,231,483.36 | 1,324,318.37 | 8,960.83 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 04/24/07 | 04/01/37 | 330,369.16 | 349,232.55 | | | (1,359.75) | | 329,009.41 | 352,017.18 | 4,144.38 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 04/24/07 | 04/01/37 | 233,623.56 | 251,086.21 | | | (120,854.02) | | 112,769.54 | 121,477.90 | (8,754.29) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 05/08/07 | 04/01/37 | 244,483.13 | 258,444.16 | | | (971.13) | | 243,512.00 | 260,542.48 | 3,069.45 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 05/22/07 | 04/01/37 | 223,522.86 | 238,445.94 | | | (1,091.64) | | 222,431.22 | 238,772.82 | 1,418.52 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 05/22/07 | 04/01/37 | 195,217.86 | 206,366.66 | | | (1,002.86) | | 194,215.00 | 207,798.83 | 2,435.03 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 06/05/07 | 05/01/37 | 325,874.19 | 347,983.60 | | | (1,907.60) | | 323,966.59 | 348,395.05 | 2,319.05 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 06/05/07 | 05/01/37 | 186,801.94 | 200,768.67 | | | (65,697.11) | | 121,104.83 | 130,459.26 | (4,612.30) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 06/05/07 | 04/01/37 | 412,983.79 | 436,571.76 | | | (2,165.92) | | 410,817.87 | 439,554.07 | 5,148.23 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 06/19/07 | 05/01/37 | 596,777.54 | 636,628.50 | | | (3,446.22) | | 593,331.32 | 636,930.51 | 3,748.23 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 07/03/07 | 07/01/37 | 216,666.46 | 232,869.37 | | | (788.62) | | 215,877.84 | 232,556.29 | 475.54 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 07/03/07 | 06/01/37 | 371,586.52 | 392,815.97 | | | (2,849.58) | | 368,736.94 | 394,535.18 | 4,568.79 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 08/07/07 | 07/01/37 | 1,715,043.02 | 1,837,974.45 | | | (136,355.60) | | 1,578,687.42 | 1,702,404.83 | 785.98 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 08/07/07 | 07/01/37 | 272,171.85 | 293,866.96 | | | (1,191.55) | | 270,980.30 | 293,241.65 | 566.24 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 08/07/07 | 08/01/37 | 1,712,367.23 | 1,818,504.22 | | | (419,627.13) | | 1,292,740.10 | 1,389,474.18 | (9,402.91) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 08/29/07 | 08/01/37 | 408,229.47 | 433,540.91 | | | (1,702.01) | | 406,527.46 | 436,955.34 | 5,116.44 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 08/23/07 | 07/01/37 | 612,031.27 | 655,909.24 | | | (3,321.83) | | 608,709.44 | 656,421.61 | 3,834.20 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/11/07 | 08/01/37 | 659,369.43 | 706,654.05 | | | (2,609.24) | | 656,760.19 | 708,251.56 | 4,206.75 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 09/11/07 | 09/01/37 | 171,700.12 | 182,348.44 | | | (1,385.93) | | 170,314.19 | 183,064.49 | 2,101.98 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 09/11/07 | 08/01/37 | 265,423.91 | 286,590.10 | | | (59,407.45) | | 206,016.46 | 222,948.16 | (4,234.49) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 09/25/07 | 09/01/37 | 1,648,483.11 | 1,766,725.63 | | | (7,084.12) | | 1,641,398.99 | 1,770,113.09 | 10,471.58 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 09/25/07 | 07/01/37 | 164,012.40 | 177,093.32 | | | (627.68) | | 163,384.72 | 176,814.28 | 348.64 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 09/25/07 | 09/01/37 | 797,954.28 | 847,451.17 | | | (4,444.40) | | 793,509.88 | 852,924.20 | 9,917.43 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 10/09/07 | 08/01/37 | 307,622.41 | 331,568.83 | | | (134,832.46) | | 172,789.95 | 187,286.46 | (9,449.91) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 10/09/07 | 09/01/37 | 466,854.89 | 499,809.96 | | | (1,813.79) | | 465,041.10 | 502,255.93 | 4,259.76 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 10/09/07 | 09/01/37 | 190,880.21 | 207,151.40 | | | (684.03) | | 190,196.18 | 206,619.96 | 152.59 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 10/25/07 | 10/01/37 | 1,530,522.96 | 1,649,694.14 | | | (80,584.75) | | 1,449,938.21 | 1,571,613.08 | 2,503.69 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 10/25/07 | 10/01/37 | 836,073.64 | 895,106.12 | | | (128,271.21) | | 707,802.43 | 764,456.53 | (2,378.38) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/08/07 | 09/01/37 | 624,425.58 | 673,051.34 | | | (3,322.19) | | 621,103.39 | 673,230.77 | 3,501.62 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/08/07 | 10/01/37 | 286,516.99 | 306,750.74 | | | (1,488.89) | | 285,028.10 | 307,846.10 | 2,584.25 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/21/07 | 10/01/37 | 403,882.84 | 435,340.49 | | | (1,570.52) | | 402,312.32 | 436,082.95 | 2,312.98 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 11/21/07 | 09/01/37 | 381,118.66 | 408,036.46 | | | (1,499.53) | | 379,619.13 | 410,012.96 | 3,476.03 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 11/21/07 | 11/01/37 | 526,106.36 | 567,084.92 | | | (1,975.11) | | 524,131.25 | 568,129.26 | 3,019.45 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 12/11/07 | 10/01/37 | 901,395.07 | 971,618.66 | | | (84,212.38) | | 817,182.69 | 885,793.29 | (1,612.99) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 12/11/07 | 11/01/37 | 418,951.92 | 448,551.79 | | | (154,626.39) | | 264,325.53 | 285,494.85 | (8,430.55) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2006 ABCDE Single Family | 5.38 | 12/11/07 | 11/01/37 | 287,519.28 | 309,919.55 | | | (2,052.66) | | 285,466.62 | 309,435.33 | 1,568.44 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 12/11/07 | 12/01/37 | 384,162.81 | 411,305.60 | | | (1,987.19) | | 382,175.62 | 412,784.17 | 3,465.76 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 12/20/07 | 11/01/37 | 340,745.67 | 364,822.66 | | | (117,558.98) | | 223,186.69 | 241,062.96 | (6,200.72) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 12/20/07 | 10/01/37 | 71,797.68 | 77,391.71 | | | (317.53) | | 71,480.15 | 77,482.22 | 408.04 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 12/28/07 | 10/01/37 | 1,199,761.52 | 1,302,124.83 | | | (152,061.42) | | 1,047,700.10 | 1,138,250.25 | (11,813.16) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 01/16/08 | 12/01/37 | 326,895.70 | 350,002.91 | | | (1,232.40) | | 325,663.30 | 351,756.40 | 2,985.89 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 01/30/08 | 12/01/37 | 179,402.12 | 192,085.80 | | | (903.77) | | 178,498.35 | 192,802.49 | 1,620.46 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 01/30/08 | 11/01/37 | 63,762.81 | 68,733.40 | | | (229.20) | | 63,533.61 | 68,870.94 | 366.74 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 01/30/08 | 12/01/37 | 87,621.56 | 93,816.40 | | | (439.67) | | 87,181.89 | 94,168.30 | 791.57 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 02/13/08 | 01/01/38 | 109,567.09 | 117,336.10 | | | (406.48) | | 109,160.61 | 117,771.14 | 841.52 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 02/13/08 | 01/01/38 | 407,968.65 | 439,848.74 | | | (124,833.64) | | 283,135.01 | 306,814.48 | (8,200.62) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 02/19/08 | 04/01/37 | 150,885.95 | 163,764.79 | | | (1,002.36) | | 149,883.59 | 162,842.59 | 80.16 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 02/19/08 | 12/01/37 | 206,292.38 | 222,378.07 | | | (890.65) | | 205,401.73 | 222,661.66 | 1,174.24 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 02/19/08 | 01/01/38 | 239,774.52 | 256,777.43 | | | (1,373.80) | | 238,400.72 | 257,206.99 | 1,803.36 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 02/27/08 | 02/01/38 | 182,257.38 | 195,183.39 | | | (109,390.31) | | 72,867.07 | 78,615.92 | (7,177.16) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 03/20/08 | 11/01/37 | 252,911.41 | 272,638.81 | | | (1,291.20) | | 251,620.21 | 272,770.17 | 1,422.56 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 04/08/08 | 03/01/38 | 174,053.09 | 186,404.22 | | | (18,380.19) | | 155,672.90 | 167,960.98 | (63.05) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.63 | 04/15/08 | 12/01/37 | 139,509.34 | 151,427.06 | | | (732.84) | | 138,776.50 | 150,785.36 | 91.14 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 04/15/08 | 01/01/38 | 124,079.80 | 133,761.68 | | | (440.43) | | 123,639.37 | 134,035.41 | 714.16 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.13 | 04/15/08 | 04/01/38 | 114,861.92 | 123,013.71 | | | (420.35) | | 114,441.57 | 123,476.02 | 882.66 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.38 | 04/29/08 | 04/01/38 | 155,028.21 | 167,128.01 | | | (899.67) | | 154,128.54 | 167,091.41 | 863.07 | 0.00 |
| Repo Agmt | 2006 ABCDE Single Family | 0.20 | 08/31/10 | 09/01/10 | 21,041.43 | 21,041.43 | 0.00 | | | | 21,041.43 | 21,041.43 | - | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 11/12/02 | 11/20/32 | 2,350.36 | 2,616.33 | | | (11.54) | | 2,338.82 | 2,598.66 | (6.13) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/12/02 | 10/20/32 | 8,750.41 | 9,523.30 | | | (57.03) | | 8,693.38 | 9,516.92 | 50.65 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 01/10/03 | 09/20/32 | 8,398.64 | 9,349.09 | | | (51.41) | | 8,347.23 | 9,274.61 | (23.07) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/26/02 | 09/20/32 | 10,599.27 | 11,534.99 | | | (84.93) | | 10,514.34 | 11,509.93 | 59.87 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 10/10/02 | 09/20/32 | 5,379.91 | 5,988.64 | | | (29.84) | | 5,350.07 | 5,944.36 | (14.44) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 10/10/02 | 09/20/32 | 3,295.31 | 3,586.24 | | | (17.72) | | 3,277.59 | 3,587.95 | 19.43 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 10/21/02 | 10/20/32 | 8,671.68 | 9,653.38 | | | (465.13) | | 8,206.55 | 9,118.67 | (69.58) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 10/29/02 | 10/20/32 | 6,005.47 | 6,685.06 | | | (38.02) | | 5,967.45 | 6,630.41 | (16.63) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 10/29/02 | 09/20/32 | 2,538.94 | 2,763.13 | | | (21.39) | | 2,517.55 | 2,755.99 | 14.25 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/05/02 | 09/20/32 | 6,469.03 | 7,040.30 | | | (40.74) | | 6,428.29 | 7,037.16 | 37.60 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 11/19/02 | 11/20/32 | 3,859.19 | 4,296.02 | | | (18.40) | | 3,840.79 | 4,267.60 | (10.02) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/19/02 | 11/20/32 | 4,681.71 | 5,095.27 | | | (24.90) | | 4,656.81 | 5,098.02 | 27.65 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 11/26/02 | 11/20/32 | 16,912.59 | 18,827.04 | | | (90.66) | | 16,821.93 | 18,691.38 | (45.00) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/26/02 | 11/20/32 | 4,061.25 | 4,420.03 | | | (31.12) | | 4,030.13 | 4,411.99 | 23.08 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 11/26/02 | 11/20/32 | 4,821.24 | 5,366.98 | | | (24.61) | | 4,796.63 | 5,329.67 | (12.70) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/26/02 | 11/20/32 | 6,741.20 | 7,336.71 | | | (4,240.71) | | 2,500.49 | 2,737.39 | (358.61) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 12/12/02 | 12/20/32 | 4,958.55 | 5,396.71 | | | (29.64) | | 4,928.91 | 5,396.04 | 28.97 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 12/30/02 | 12/20/32 | 2,964.40 | 3,300.09 | | | (15.76) | | 2,948.64 | 3,276.45 | (7.88) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 12/30/02 | 12/20/32 | 9,673.08 | 10,527.94 | | | (51.05) | | 9,622.03 | 10,534.03 | 57.14 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 12/30/02 | 12/20/32 | 5,639.07 | 6,277.60 | | | (30.37) | | 5,608.70 | 6,232.21 | (15.02) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 12/30/02 | 12/20/32 | 4,779.97 | 5,202.43 | | | (25.13) | | 4,754.84 | 5,205.57 | 28.27 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 01/07/03 | 12/20/32 | 2,848.73 | 3,171.29 | | | (14.58) | | 2,834.15 | 3,149.20 | (7.51) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 01/23/03 | 01/20/33 | 18,634.95 | 20,693.46 | | | (110.09) | | 18,524.86 | 20,519.13 | (64.24) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/23/03 | 01/20/33 | 4,661.52 | 5,072.29 | | | (24.50) | | 4,637.02 | 5,075.16 | 27.37 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 01/23/03 | 01/20/33 | 5,033.25 | 5,589.21 | | | (30.55) | | 5,002.70 | 5,541.22 | (17.44) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/23/03 | 01/20/33 | 4,835.81 | 5,262.05 | | | (25.24) | | 4,810.57 | 5,265.22 | 28.41 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 01/30/03 | 01/20/33 | 4,905.64 | 5,447.54 | | | (30.43) | | 4,875.21 | 5,400.03 | (17.08) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/30/03 | 01/20/33 | 10,757.70 | 11,705.80 | | | (60.11) | | 10,697.59 | 11,708.52 | 62.83 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 02/12/03 | 02/20/33 | 12,505.85 | 13,887.56 | | | (89.50) | | 12,416.35 | 13,753.26 | (44.80) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 02/20/03 | 02/20/33 | 8,085.44 | 8,978.78 | | | (41.40) | | 8,044.04 | 8,910.18 | (27.20) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 03/03/03 | 03/20/33 | 5,540.68 | 6,029.18 | | | (28.55) | | 5,512.13 | 6,033.21 | 32.58 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 02/27/03 | 02/20/33 | 15,859.74 | 17,612.22 | | | (74.83) | | 15,784.91 | 17,484.73 | (52.66) | 0.00 |
| GNMA | 2006 ABCDE Single Family | | | | 5,020.27 | 5,462.78 | | | (5,020.27) | | | | (442.51) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 03/12/03 | 02/20/33 | 12,200.10 | 13,548.30 | | | (57.56) | | 12,142.54 | 13,450.24 | (40.50) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 03/24/03 | 03/20/33 | 7,404.65 | 8,223.07 | | | (36.35) | | 7,368.30 | 8,161.98 | (24.74) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/02/03 | 04/20/33 | 2,129.64 | 2,365.04 | | | (9.80) | | 2,119.84 | 2,348.20 | (7.04) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/02/03 | 03/20/33 | 4,708.83 | 5,229.29 | | | (21.80) | | 4,687.03 | 5,191.89 | (15.60) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/10/03 | 03/20/33 | 14,654.11 | 16,273.89 | | | (3,638.61) | | 11,015.50 | 12,202.11 | (433.17) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/10/03 | 03/20/33 | 3,349.74 | 3,719.97 | | | (19.12) | | 3,330.62 | 3,689.36 | (11.49) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/17/03 | 04/20/33 | 2,566.21 | 2,849.91 | | | (12.05) | | 2,554.16 | 2,829.35 | (8.51) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/24/03 | 04/20/33 | 5,344.06 | 5,934.87 | | | (24.75) | | 5,319.31 | 5,892.42 | (17.70) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/29/03 | 03/20/33 | 4,158.15 | 4,617.85 | | | (20.03) | | 4,138.12 | 4,583.96 | (13.86) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 05/08/03 | 04/20/33 | 2,433.11 | 2,702.12 | | | (12.00) | | 2,421.11 | 2,681.98 | (8.14) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 05/08/03 | 04/20/33 | 3,981.86 | 4,422.11 | | | (19.07) | | 3,962.79 | 4,389.78 | (13.26) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 06/19/03 | 05/20/33 | 1,940.24 | 2,154.86 | | | (8.88) | | 1,931.36 | 2,139.57 | (6.41) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 07/17/03 | 07/20/33 | 2,457.58 | 2,729.49 | | | (11.54) | | 2,446.04 | 2,709.79 | (8.16) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 07/24/03 | 07/20/33 | 4,139.55 | 4,597.53 | | | (22.01) | | 4,117.54 | 4,561.51 | (14.01) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 07/30/03 | 07/30/33 | 2,301.25 | 2,555.89 | | | (10.41) | | 2,290.84 | 2,537.90 | (7.58) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 09/29/03 | 09/20/33 | 7,876.12 | 8,748.11 | | | (5,065.00) | | 2,811.12 | 3,114.46 | (568.65) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 10/09/03 | 08/20/33 | 2,758.48 | 3,063.89 | | | (12.44) | | 2,746.04 | 3,042.34 | (9.11) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 03/11/04 | 03/20/34 | 3,008.32 | 3,333.77 | | | (12.80) | | 2,995.52 | 3,312.70 | (8.27) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 07/08/04 | 06/20/34 | 16,862.42 | 18,341.26 | | | (80.74) | | 16,781.68 | 18,355.60 | 95.08 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 04/08/04 | 04/20/34 | 1,895.04 | 2,100.12 | | | (8.25) | | 1,886.79 | 2,086.64 | (5.23) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 06/17/04 | 06/20/34 | 18,357.99 | 19,967.66 | | | (86.83) | | 18,271.16 | 19,984.45 | 103.62 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/02/04 | 09/20/34 | 25,495.38 | 27,732.85 | | | (122.02) | | 25,373.36 | 27,754.59 | 143.76 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/09/04 | 09/20/34 | 39,628.11 | 43,031.38 | | | (187.59) | | 39,440.52 | 43,067.41 | 223.62 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/16/04 | 09/20/34 | 24,835.88 | 27,015.73 | | | (114.58) | | 24,721.30 | 27,041.60 | 140.45 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 07/15/04 | 07/20/34 | 5,200.38 | 5,656.46 | | | (25.37) | | 5,175.01 | 5,660.37 | 29.28 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 07/29/04 | 07/20/34 | 8,970.98 | 9,757.86 | | | (42.63) | | 8,928.35 | 9,765.84 | 50.61 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 08/05/04 | 08/20/34 | 9,306.95 | 10,123.47 | | | (45.64) | | 9,261.31 | 10,130.20 | 52.37 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 08/12/04 | 08/20/34 | 28,267.89 | 30,748.01 | | | (132.17) | | 28,135.72 | 30,775.53 | 159.69 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 08/20/04 | 08/20/34 | 5,104.26 | 5,552.14 | | | (38.79) | | 5,065.47 | 5,540.80 | 27.45 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 12/02/04 | 12/20/34 | 4,902.82 | 5,333.51 | | | (22.93) | | 4,879.89 | 5,338.29 | 27.71 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 10/14/04 | 10/20/34 | 21,746.43 | 23,614.70 | | | (103.74) | | 21,642.69 | 23,633.62 | 122.66 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 10/21/04 | 10/20/34 | 58,077.22 | 63,176.56 | | | (307.94) | | 57,769.28 | 63,193.38 | 324.76 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 10/21/04 | 10/20/34 | 15,164.83 | 15,819.33 | | | (82.06) | | 15,082.77 | 16,245.67 | 508.40 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 10/28/04 | 10/20/34 | 12,153.56 | 13,197.86 | | | (58.29) | | 12,095.27 | 13,208.10 | 68.53 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 10/29/04 | 10/20/34 | 26,818.81 | 27,889.42 | | | (155.38) | | 26,663.43 | 28,611.33 | 877.29 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 11/04/04 | 10/20/34 | 90,123.55 | 93,721.72 | | | (8,348.54) | | 81,775.01 | 87,749.48 | 2,376.30 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/04/04 | 11/20/34 | 16,688.05 | 18,153.59 | | | (5,074.93) | | 11,613.12 | 12,703.68 | (374.98) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 11/10/04 | 11/20/34 | 25,201.99 | 26,208.40 | | | (155.03) | | 25,046.96 | 26,877.13 | 823.76 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 11/10/04 | 11/20/34 | 3,226.03 | 3,509.30 | | | (14.59) | | 3,211.44 | 3,512.98 | 18.27 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 11/18/04 | 11/20/34 | 22,304.17 | 23,195.01 | | | (121.05) | | 22,183.12 | 23,804.16 | 730.20 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/08/05 | 08/20/35 | 2,807.94 | 3,051.86 | | | (12.82) | | 2,795.12 | 3,055.55 | 16.51 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.40 | 08/14/03 | 09/01/32 | 2,681.35 | 2,875.97 | | | (16.31) | | 2,665.04 | 2,885.69 | 26.03 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.15 | 08/14/03 | 12/01/31 | 2,552.25 | 2,820.06 | | | (51.20) | | 2,501.05 | 2,772.14 | 3.28 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 6.15 | 04/15/04 | 02/01/34 | 4,909.40 | 5,392.82 | | | (21.24) | | 4,888.16 | 5,370.71 | (0.87) | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.40 | 10/28/04 | 10/01/34 | 14,363.17 | 15,391.56 | | | (73.71) | | 14,289.46 | 15,448.80 | 130.95 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 11/04/04 | 10/01/34 | 7,382.35 | 7,642.29 | | | (39.01) | | 7,343.34 | 7,808.59 | 205.31 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 08/29/02 | 08/20/32 | 3,159.86 | 3,438.48 | | | (19.16) | | 3,140.70 | 3,437.75 | 18.43 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 6.15 | 09/12/02 | 08/20/32 | 2,952.17 | 3,286.17 | | | (14.94) | | 2,937.23 | 3,263.46 | (7.77) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 09/19/02 | 09/20/32 | 11,284.71 | 12,280.88 | | | (66.49) | | 11,218.22 | 12,280.40 | 66.01 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 12/09/04 | 12/20/34 | 69,697.23 | 72,482.47 | | | (391.60) | | 69,305.63 | 74,371.75 | 2,280.88 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 12/16/04 | 12/20/34 | 61,318.07 | 63,768.77 | | | (318.44) | | 60,999.63 | 65,458.91 | 2,008.58 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 11/23/04 | 11/20/34 | 57,790.03 | 60,098.39 | | | (318.21) | | 57,471.82 | 61,671.91 | 1,891.73 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 12/02/04 | 12/20/34 | 126,359.53 | 131,408.42 | | | (8,938.17) | | 117,421.36 | 126,004.00 | 3,533.75 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 12/23/04 | 12/20/34 | 78,394.80 | 81,528.45 | | | (6,474.42) | | 71,920.38 | 77,178.41 | 2,124.38 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 12/29/04 | 12/20/34 | 61,151.44 | 63,596.09 | | | (327.87) | | 60,823.57 | 65,270.59 | 2,002.37 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 01/06/05 | 01/20/35 | 136,449.29 | 141,740.55 | | | (796.74) | | 135,652.55 | 145,398.62 | 4,454.81 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/06/05 | 01/20/35 | 21,056.40 | 22,880.73 | | | (98.85) | | 20,957.55 | 22,905.38 | 123.50 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 01/13/05 | 01/20/35 | 63,949.44 | 66,429.61 | | | (375.91) | | 63,573.53 | 68,141.37 | 2,087.67 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/13/05 | 01/20/35 | 2,454.00 | 2,666.58 | | | (14.52) | | 2,439.48 | 2,666.17 | 14.11 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 01/19/05 | 01/20/35 | 90,896.54 | 94,422.29 | | | (562.64) | | 90,333.90 | 96,824.88 | 2,965.23 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 01/19/05 | 01/20/35 | 12,424.65 | 13,501.25 | | | (55.30) | | 12,369.35 | 13,519.11 | 73.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 01/27/05 | 01/20/35 | 121,893.98 | 126,622.83 | | | (859.87) | | 121,034.11 | 129,731.84 | 3,968.88 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 02/03/05 | 02/20/35 | 132,055.49 | 137,179.92 | | | (782.34) | | 131,273.15 | 140,708.08 | 4,310.50 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 02/10/05 | 02/20/35 | 53,810.73 | 55,899.14 | | | (285.90) | | 53,524.83 | 57,372.09 | 1,758.85 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 02/10/05 | 02/20/35 | 110,731.46 | 115,029.00 | | | (629.03) | | 110,102.43 | 118,016.37 | 3,616.40 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 ABCDE Single Family | 5.40 | 02/17/05 | 11/20/34 | 4,903.07 | 5,334.06 | | | (22.17) | | 4,880.90 | 5,339.65 | 27.76 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 02/17/05 | 02/20/35 | 52,717.21 | 54,763.50 | | | (279.33) | | 52,437.88 | 56,207.33 | 1,723.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 02/24/05 | 02/20/35 | 73,596.69 | 76,453.78 | | | (494.34) | | 73,102.35 | 78,357.60 | 2,398.16 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 03/03/05 | 03/20/35 | 82,569.56 | 85,775.87 | | | (457.66) | | 82,111.90 | 88,015.73 | 2,697.52 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 03/11/05 | 03/20/35 | 21,342.22 | 22,171.11 | | | (113.76) | | 21,228.46 | 22,754.96 | 697.61 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 03/17/05 | 02/20/35 | 5,936.47 | 6,451.21 | | | (27.84) | | 5,908.63 | 6,458.19 | 34.82 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 03/17/05 | 03/20/35 | 50,019.60 | 51,962.46 | | | (272.37) | | 49,747.23 | 53,324.57 | 1,634.48 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 03/24/05 | 03/20/35 | 28,318.09 | 29,418.20 | | | (148.37) | | 28,169.72 | 30,195.60 | 925.77 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 04/07/05 | 04/20/35 | 55,628.63 | 57,790.52 | | | (350.47) | | 55,278.16 | 59,254.43 | 1,814.38 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 04/14/05 | 04/20/35 | 31,894.91 | 33,239.07 | | | (172.54) | | 31,722.37 | 34,133.57 | 1,067.04 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 04/21/05 | 04/20/35 | 5,032.25 | 5,459.27 | | | (22.40) | | 5,009.85 | 5,466.50 | 29.63 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 04/21/05 | 04/20/35 | 70,988.67 | 73,748.28 | | | (359.51) | | 70,629.16 | 75,710.54 | 2,321.77 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 04/28/05 | 04/20/35 | 52,845.10 | 54,899.69 | | | (287.56) | | 52,557.54 | 56,339.02 | 1,726.89 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 04/28/05 | 04/20/35 | 6,259.85 | 6,802.87 | | | (27.90) | | 6,231.95 | 6,811.83 | 36.86 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 05/05/05 | 05/20/35 | 92,667.56 | 96,271.32 | | | (8,341.09) | | 84,326.47 | 90,394.64 | 2,464.41 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 05/05/05 | 04/20/35 | 5,161.89 | 5,599.98 | | | (24.15) | | 5,137.74 | 5,606.10 | 30.27 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 07/07/05 | 07/20/35 | 2,068.80 | 2,248.39 | | | (11.21) | | 2,057.59 | 2,249.16 | 11.98 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 05/26/05 | 05/20/35 | 3,643.86 | 3,960.07 | | | (16.00) | | 3,627.86 | 3,965.53 | 21.46 | 0.00 |
| GNMA | 2006 ABCDE Single Family | 4.49 | 05/26/05 | 05/20/35 | 16,911.17 | 17,569.11 | | | (9,788.74) | | 7,122.43 | 7,635.07 | (145.30) | 0.00 |
| GNMA | 2006 ABCDE Single Family | 5.40 | 06/09/05 | 05/20/35 | 3,537.21 | 3,844.17 | | | (16.14) | | 3,521.07 | 3,848.82 | 20.79 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 12/23/04 | 12/01/34 | 14,963.64 | 15,490.91 | | | (93.16) | | 14,870.48 | 15,813.02 | 415.27 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 01/19/05 | 01/01/35 | 14,917.91 | 15,443.73 | | | (79.49) | | 14,838.42 | 15,779.10 | 414.86 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 01/27/05 | 01/01/35 | 13,679.44 | 14,128.25 | | | (83.76) | | 13,595.68 | 14,423.46 | 378.97 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 03/14/05 | 12/01/34 | 16,292.66 | 16,867.21 | | | (91.85) | | 16,200.81 | 17,228.13 | 452.77 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.40 | 03/24/05 | 02/01/35 | 4,010.51 | 4,297.94 | | | (18.06) | | 3,992.45 | 4,316.66 | 36.78 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 4.49 | 04/07/05 | 02/01/35 | 13,968.10 | 14,426.79 | | | (115.29) | | 13,852.81 | 14,696.66 | 385.16 | 0.00 |
| FNMA | 2006 ABCDE Single Family | 5.40 | 07/14/05 | 04/01/35 | 5,326.86 | 5,698.91 | | | (23.72) | | 5,303.14 | 5,720.06 | 44.87 | 0.00 |
| | **2006 ABCDE Single Family Total** | | | | 205,772,895.36 | 221,365,537.11 | 9,365,959.49 | (5,390,845.29) | (8,661,949.96) | 0.00 | 201,086,059.60 | 217,454,479.63 | 775,778.28 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2006 FGH Single Family | 0.20 | 08/31/10 | 09/01/10 | 646,039.28 | 646,039.28 | 296.79 | | | | 646,336.07 | 646,336.07 | - | 0.00 |
| Repo Agmt | 2006 FGH Single Family | 0.20 | 08/31/10 | 09/01/10 | 1,210,055.27 | 1,210,055.27 | 4,540,883.82 | | | | 5,750,939.09 | 5,750,939.09 | - | 0.00 |
| GIC's | 2006 FGH Single Family | 4.33 | 05/25/07 | 02/26/36 | 3,509,755.12 | 3,509,755.12 | | (2,557,048.85) | | | 952,706.27 | 952,706.27 | - | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 08/27/09 | 07/01/39 | 75,517.82 | 80,983.15 | | | (448.64) | | 75,069.18 | 81,106.84 | 572.33 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.49 | 05/28/08 | 05/01/38 | 251,458.77 | 270,166.86 | | | (874.39) | | 250,584.38 | 269,709.10 | 416.63 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 05/28/08 | 04/01/38 | 154,126.45 | 163,709.41 | | | (583.62) | | 153,542.83 | 164,648.40 | 1,522.61 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.70 | 06/18/08 | 02/01/38 | 42,493.23 | 45,890.20 | | | (142.20) | | 42,351.03 | 45,714.73 | (33.27) | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.49 | 06/18/08 | 05/01/38 | 145,440.72 | 156,263.62 | | | (495.79) | | 144,944.93 | 156,009.40 | 241.57 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 06/18/08 | 05/01/38 | 78,114.17 | 82,972.33 | | | (355.11) | | 77,759.06 | 83,384.62 | 767.40 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.70 | 06/25/08 | 04/01/38 | 92,671.36 | 100,080.35 | | | (308.24) | | 92,363.12 | 99,699.79 | (72.32) | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 07/09/08 | 04/01/37 | 110,134.72 | 116,983.75 | | | (432.44) | | 109,702.28 | 117,637.98 | 1,086.67 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 07/16/08 | 06/01/38 | 161,543.58 | 171,594.10 | | | (661.05) | | 160,882.53 | 172,525.40 | 1,592.35 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.70 | 07/16/08 | 06/01/38 | 253,969.80 | 274,279.42 | | | (876.96) | | 253,092.84 | 273,201.42 | (201.04) | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.49 | 07/23/08 | 06/01/38 | 76,167.33 | 81,837.34 | | | (258.09) | | 75,909.24 | 81,705.96 | 126.71 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 08/13/08 | 07/01/38 | 77,974.94 | 82,827.86 | | | (623.14) | | 77,351.80 | 82,951.41 | 746.69 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 09/17/08 | 07/01/38 | 56,361.77 | 59,871.00 | | | (527.13) | | 55,834.64 | 59,878.04 | 534.17 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.70 | 10/08/08 | 08/01/38 | 104,557.11 | 112,925.23 | | | (337.11) | | 104,220.00 | 112,507.34 | (80.78) | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.49 | 10/22/08 | 08/01/38 | 103,462.97 | 111,172.31 | | | (371.59) | | 103,091.38 | 110,971.10 | 170.38 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.10 | 11/12/08 | 10/01/38 | 174,110.91 | 184,645.49 | | | (786.96) | | 173,323.95 | 185,782.20 | 1,923.67 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.70 | 11/19/08 | 08/01/38 | 94,126.82 | 101,663.09 | | | (303.22) | | 93,823.60 | 101,287.16 | (72.71) | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 01/14/09 | 11/01/38 | 139,523.60 | 148,223.85 | | | (487.36) | | 139,036.24 | 149,117.95 | 1,381.46 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 03/31/09 | 12/01/38 | 94,933.09 | 100,858.40 | | | (329.57) | | 94,603.52 | 101,468.98 | 940.15 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 05/20/09 | 03/01/39 | 155,637.31 | 165,342.01 | | | (725.94) | | 154,911.37 | 166,144.17 | 1,528.10 | 0.00 |
| Freddie Mac | 2006 FGH Single Family | 5.15 | 06/24/09 | 05/01/39 | 64,129.02 | 68,136.08 | | | (225.54) | | 63,903.48 | 68,545.43 | 634.89 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 01/30/07 | 01/20/37 | 4,120,508.24 | 4,482,827.92 | | | (16,861.96) | | 4,103,646.28 | 4,489,002.41 | 23,036.45 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 02/13/07 | 01/20/37 | 37,092.02 | 40,025.42 | | | (347.98) | | 36,744.04 | 39,960.44 | 283.00 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/07 | 02/20/37 | 1,722,652.09 | 1,874,156.61 | | | (138,187.72) | | 1,584,464.37 | 1,733,284.51 | (2,684.38) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/07 | 01/20/37 | 179,631.82 | 195,429.56 | | | (672.08) | | 178,959.74 | 195,767.67 | 1,010.19 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 02/20/07 | 02/20/37 | 353,179.64 | 385,881.83 | | | (1,303.88) | | 351,875.76 | 385,869.92 | 1,291.97 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 02/20/07 | 01/20/37 | 118,608.06 | 127,988.89 | | | (470.25) | | 118,137.81 | 128,479.84 | 961.20 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 02/20/07 | 01/20/37 | 1,155,818.82 | 1,257,475.05 | | | (130,774.02) | | 1,025,044.80 | 1,121,323.96 | (5,377.07) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 FGH Single Family | 5.15 | 03/07/07 | 02/20/37 | 626,255.81 | 675,799.29 | | | (2,493.34) | | 623,762.47 | 678,380.24 | 5,074.29 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/20/07 | 03/20/37 | 1,115,408.70 | 1,213,551.28 | | | (4,610.62) | | 1,110,798.08 | 1,215,173.53 | 6,232.87 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 03/20/07 | 02/20/37 | 117,915.52 | 127,245.42 | | | (469.42) | | 117,446.10 | 127,731.44 | 955.44 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/06/07 | 02/20/37 | 1,623,393.99 | 1,755,918.28 | | | (7,932.62) | | 1,615,461.37 | 1,757,032.63 | 9,046.97 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/20/07 | 02/20/37 | 278,500.59 | 303,004.38 | | | (1,097.28) | | 277,403.31 | 303,468.11 | 1,561.01 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 04/24/07 | 04/20/37 | 371,206.86 | 405,605.30 | | | (2,346.09) | | 368,860.77 | 404,522.78 | 1,263.57 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 04/24/07 | 04/20/37 | 1,397,890.64 | 1,505,930.69 | | | (5,708.58) | | 1,392,182.06 | 1,511,547.39 | 11,325.28 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 04/24/07 | 04/20/37 | 1,317,754.76 | 1,433,754.95 | | | (6,965.39) | | 1,310,789.37 | 1,434,009.02 | 7,219.46 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 03/27/07 | 03/20/37 | 1,124,815.89 | 1,211,713.83 | | | (5,252.49) | | 1,119,563.40 | 1,215,517.67 | 9,056.33 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/27/07 | 02/20/37 | 393,702.48 | 428,345.30 | | | (1,704.20) | | 391,998.28 | 428,833.45 | 2,192.35 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 04/10/07 | 04/20/37 | 1,220,200.46 | 1,314,488.57 | | | (5,039.84) | | 1,215,160.62 | 1,319,330.81 | 9,882.08 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 04/10/07 | 03/20/37 | 1,230,450.21 | 1,338,742.10 | | | (209,664.19) | | 1,020,786.02 | 1,116,724.96 | (12,352.95) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 04/10/07 | 02/20/37 | 179,682.53 | 195,495.80 | | | (977.63) | | 178,704.90 | 195,499.95 | 981.78 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/08/07 | 04/20/37 | 373,600.78 | 403,183.04 | | | (1,690.69) | | 371,910.09 | 404,501.76 | 3,009.41 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/08/07 | 03/20/37 | 71,274.16 | 76,917.44 | | | (293.44) | | 70,980.72 | 77,200.68 | 576.68 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/08/07 | 04/20/37 | 555,425.54 | 604,326.84 | | | (2,076.81) | | 553,348.73 | 605,373.75 | 3,123.72 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/08/07 | 04/20/37 | 110,700.39 | 120,446.78 | | | (538.64) | | 110,161.75 | 120,519.00 | 610.86 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 05/08/07 | 04/20/37 | 99,618.18 | 108,212.87 | | | (519.49) | | 99,098.69 | 108,050.15 | 356.77 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/22/07 | 05/20/37 | 670,080.69 | 723,150.33 | | | (130,342.22) | | 539,738.47 | 587,047.55 | (5,760.56) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/22/07 | 04/20/37 | 525,659.33 | 571,947.44 | | | (2,971.52) | | 522,687.81 | 571,837.66 | 2,861.74 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 05/22/07 | 04/20/37 | 132,259.38 | 144,519.19 | | | (473.67) | | 131,785.71 | 144,530.74 | 485.22 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/05/07 | 05/20/37 | 762,248.04 | 822,628.03 | | | (105,753.99) | | 656,494.05 | 714,046.35 | (2,827.69) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 06/05/07 | 05/20/37 | 246,927.64 | 269,821.00 | | | (870.83) | | 246,056.81 | 269,857.67 | 907.50 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 06/05/07 | 05/20/37 | 568,714.18 | 618,803.57 | | | (149,965.74) | | 418,748.44 | 458,132.42 | (10,705.41) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/19/07 | 06/20/37 | 914,310.75 | 986,753.06 | | | (262,069.28) | | 652,241.47 | 709,432.45 | (15,251.33) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 06/19/07 | 06/20/37 | 256,745.93 | 280,554.40 | | | (914.23) | | 255,831.70 | 280,582.61 | 942.44 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/03/07 | 06/20/37 | 962,450.75 | 1,038,720.95 | | | (3,797.75) | | 958,653.00 | 1,042,725.03 | 7,801.83 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 07/03/07 | 06/20/37 | 311,177.04 | 340,037.46 | | | (1,222.98) | | 309,954.06 | 339,945.62 | 1,131.14 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/03/07 | 07/20/37 | 315,275.43 | 343,054.70 | | | (1,146.30) | | 314,129.13 | 343,684.96 | 1,776.56 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/03/07 | 06/20/37 | 282,243.64 | 307,111.51 | | | (1,027.39) | | 281,216.25 | 307,674.13 | 1,590.01 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/17/07 | 06/20/37 | 814,134.12 | 878,662.36 | | | (3,433.41) | | 810,700.71 | 881,810.04 | 6,581.09 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 07/17/07 | 06/20/37 | 394,167.12 | 430,730.19 | | | (1,423.28) | | 392,743.84 | 430,752.33 | 1,445.42 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/07/07 | 07/20/37 | 1,025,791.18 | 1,107,628.15 | | | (4,020.43) | | 1,021,770.75 | 1,111,922.95 | 8,315.23 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 08/07/07 | 07/20/37 | 274,096.77 | 299,666.20 | | | (990.12) | | 273,106.65 | 299,679.63 | 1,003.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 08/07/07 | 06/20/37 | 451,681.41 | 491,719.57 | | | (2,425.99) | | 449,255.42 | 491,762.56 | 2,468.98 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 11/21/07 | 10/20/37 | 652,767.18 | 703,698.82 | | | (2,617.54) | | 650,149.64 | 706,372.86 | 5,291.58 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 11/21/07 | 11/20/37 | 378,580.01 | 413,945.68 | | | (1,296.54) | | 377,283.47 | 414,042.16 | 1,393.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 11/21/07 | 10/20/37 | 97,138.07 | 105,761.25 | | | (344.34) | | 96,793.73 | 105,964.69 | 547.78 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 09/25/07 | 09/20/37 | 255,083.26 | 277,710.75 | | | (1,656.44) | | 253,426.82 | 277,421.80 | 1,367.49 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 09/25/07 | 09/20/37 | 2,489,728.80 | 2,688,507.27 | | | (150,623.02) | | 2,339,105.78 | 2,545,632.31 | 7,748.06 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 09/25/07 | 08/20/37 | 618,533.53 | 673,399.32 | | | (3,208.48) | | 615,325.05 | 673,582.63 | 3,391.79 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 09/25/07 | 09/20/37 | 144,005.86 | 157,448.37 | | | (531.16) | | 143,474.70 | 157,443.56 | 526.35 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 10/09/07 | 09/20/37 | 1,077,159.74 | 1,163,175.98 | | | (4,448.29) | | 1,072,711.45 | 1,167,439.63 | 8,711.94 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 10/09/07 | 08/20/37 | 78,655.63 | 85,633.83 | | | (281.64) | | 78,373.99 | 85,795.47 | 443.28 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/23/07 | 08/20/37 | 1,096,439.11 | 1,183,935.07 | | | (10,746.00) | | 1,085,693.11 | 1,181,509.15 | 8,320.08 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 08/23/07 | 07/20/37 | 771,337.24 | 839,726.59 | | | (2,837.55) | | 768,499.69 | 841,228.85 | 4,339.81 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 08/23/07 | 08/20/37 | 622,368.93 | 680,440.39 | | | (2,255.76) | | 620,113.17 | 680,463.27 | 2,278.64 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 09/11/07 | 08/20/37 | 660,728.27 | 713,468.17 | | | (139,441.14) | | 521,287.13 | 567,302.79 | (6,724.24) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 09/11/07 | 08/20/37 | 158,892.10 | 173,480.25 | | | (615.76) | | 158,276.34 | 173,443.13 | 578.64 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 09/11/07 | 08/20/37 | 535,985.71 | 583,520.98 | | | (2,411.91) | | 533,573.80 | 584,083.07 | 2,974.00 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 11/21/07 | 11/20/37 | 354,074.69 | 387,151.16 | | | (1,205.14) | | 352,869.55 | 387,249.60 | 1,303.58 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 11/28/07 | 11/20/37 | 731,770.07 | 788,873.85 | | | (146,351.89) | | 585,418.18 | 636,050.03 | (6,471.93) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 11/28/07 | 11/20/37 | 166,674.01 | 179,993.90 | | | (630.28) | | 166,043.73 | 180,716.83 | 1,353.21 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 11/28/07 | 11/20/37 | 139,601.94 | 151,996.27 | | | (489.48) | | 139,112.46 | 152,294.54 | 787.75 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 12/11/07 | 11/20/37 | 330,612.79 | 357,038.68 | | | (1,246.42) | | 329,366.37 | 358,476.81 | 2,684.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 12/11/07 | 11/20/37 | 356,365.11 | 389,663.42 | | | (1,218.17) | | 355,146.94 | 389,756.75 | 1,311.50 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 12/11/07 | 11/20/37 | 76,789.84 | 82,927.65 | | | (366.03) | | 76,423.81 | 83,178.39 | 616.77 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 12/11/07 | 11/20/37 | 242,271.11 | 263,784.22 | | | (851.02) | | 241,420.09 | 264,300.16 | 1,366.96 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 10/25/07 | 10/20/37 | 548,282.73 | 599,483.27 | | | (2,011.20) | | 546,271.53 | 599,476.54 | 2,004.47 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 10/25/07 | 10/20/37 | 1,429,937.63 | 1,544,154.50 | | | (7,520.67) | | 1,422,416.96 | 1,548,056.42 | 11,422.59 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 FGH Single Family | 5.15 | 11/08/07 | 10/20/37 | 441,056.21 | 476,292.51 | | | (92,637.10) | | 348,419.11 | 379,199.70 | (4,455.71) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 11/08/07 | 10/20/37 | 461,855.12 | 504,991.91 | | | (1,590.10) | | 460,265.02 | 505,100.43 | 1,698.62 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 11/08/07 | 09/20/37 | 407,482.00 | 443,647.95 | | | (1,481.33) | | 406,000.67 | 444,460.99 | 2,294.37 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 01/16/08 | 12/20/37 | 157,557.38 | 171,554.88 | | | (550.53) | | 157,006.85 | 171,893.61 | 889.26 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 12/28/07 | 12/20/37 | 161,741.13 | 176,857.60 | | | (1,395.53) | | 160,345.60 | 175,975.18 | 513.11 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 12/11/07 | 11/20/37 | 148,774.10 | 161,984.89 | | | (544.23) | | 148,229.87 | 162,278.04 | 837.38 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 12/11/07 | 11/20/37 | 303,269.08 | 330,198.66 | | | (102,432.64) | | 200,836.44 | 219,870.28 | (7,895.74) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 12/11/07 | 12/20/37 | 341,841.90 | 373,784.32 | | | (1,167.45) | | 340,674.45 | 373,875.03 | 1,258.16 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 12/11/07 | 11/20/37 | 427,319.34 | 465,264.30 | | | (1,590.84) | | 425,728.50 | 466,076.01 | 2,402.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 12/11/07 | 11/20/37 | 87,154.23 | 94,120.48 | | | (325.33) | | 86,828.90 | 94,503.11 | 707.96 | 0.00 |
| GNMA | 2006 FGH Single Family | | | | 156,575.60 | 170,480.69 | | | (156,575.60) | | | | (13,905.09) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 12/20/07 | 12/20/37 | 205,653.97 | 224,872.75 | | | (700.57) | | 204,953.40 | 224,929.27 | 757.09 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 01/30/08 | 01/20/38 | 66,700.24 | 71,858.96 | | | (245.21) | | 66,455.03 | 72,256.03 | 642.28 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 01/16/08 | 12/20/37 | 640,886.43 | 692,139.79 | | | (2,481.71) | | 638,404.72 | 694,856.37 | 5,198.29 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 01/30/08 | 12/20/37 | 98,000.39 | 106,708.31 | | | (343.70) | | 97,656.69 | 106,917.62 | 553.01 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 01/30/08 | 12/20/37 | 172,765.93 | 188,117.23 | | | (601.88) | | 172,164.05 | 188,490.63 | 975.28 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 01/30/08 | 12/20/37 | 127,094.83 | 137,260.88 | | | (711.20) | | 126,383.63 | 137,561.19 | 1,011.51 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/20/38 | 103,171.33 | 111,977.59 | | | (359.88) | | 102,811.45 | 112,487.27 | 869.56 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 01/30/08 | 12/20/37 | 75,196.20 | 82,226.85 | | | (252.35) | | 74,943.85 | 82,251.69 | 277.19 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/20/38 | 72,626.94 | 78,245.15 | | | (267.67) | | 72,359.27 | 78,676.78 | 699.30 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/20/38 | 118,932.01 | 129,083.54 | | | (446.74) | | 118,485.27 | 129,636.19 | 999.39 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/20/38 | 994,040.44 | 1,078,887.49 | | | (3,768.11) | | 990,272.33 | 1,083,469.09 | 8,349.71 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 04/17/08 | 03/20/38 | 142,452.03 | 154,622.07 | | | (486.97) | | 141,965.06 | 155,336.70 | 1,201.60 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 03/12/08 | 02/20/38 | 322,292.42 | 347,234.91 | | | (1,187.38) | | 321,105.04 | 349,150.88 | 3,103.35 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/12/08 | 02/20/38 | 213,414.25 | 231,637.64 | | | (815.71) | | 212,598.54 | 232,613.95 | 1,792.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/12/08 | 03/20/38 | 85,746.28 | 93,068.41 | | | (295.27) | | 85,451.01 | 93,496.22 | 723.08 | 0.00 |
| GNMA | 2006 FGH Single Family | | | | 106,725.41 | 116,706.43 | | | (106,725.41) | | | | (9,981.02) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 02/19/08 | 02/20/38 | 129,349.66 | 139,357.05 | | | (477.01) | | 128,872.65 | 140,125.48 | 1,245.44 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/19/08 | 02/20/38 | 177,293.51 | 192,428.28 | | | (616.31) | | 176,677.20 | 193,306.45 | 1,494.48 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 02/27/08 | 02/20/38 | 126,925.48 | 137,761.66 | | | (610.05) | | 126,315.43 | 138,205.63 | 1,054.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/20/08 | 02/20/38 | 151,827.24 | 164,793.06 | | | (525.00) | | 151,302.24 | 165,548.17 | 1,280.11 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/20/08 | 03/20/38 | 108,850.73 | 118,146.78 | | | (474.52) | | 108,376.21 | 118,580.78 | 908.52 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 03/27/08 | 03/20/38 | 202,539.71 | 220,919.98 | | | (1,191.88) | | 201,347.83 | 220,757.99 | 1,029.89 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 04/22/08 | 12/20/37 | 118,983.25 | 130,119.05 | | | (449.11) | | 118,534.14 | 130,103.57 | 433.63 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 04/22/08 | 04/20/38 | 83,300.26 | 89,751.21 | | | (300.66) | | 82,999.60 | 90,253.21 | 802.66 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/07/08 | 04/20/38 | 337,967.66 | 366,849.63 | | | (1,177.28) | | 336,790.38 | 368,521.14 | 2,848.79 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/14/08 | 04/20/38 | 308,851.59 | 332,196.14 | | | (1,152.10) | | 307,699.49 | 334,015.96 | 2,971.92 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/14/08 | 04/20/38 | 481,804.88 | 522,982.57 | | | (180,983.64) | | 300,821.24 | 329,165.49 | (12,833.44) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/21/08 | 04/20/38 | 127,114.14 | 137,978.99 | | | (431.77) | | 126,682.37 | 138,619.73 | 1,072.51 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/21/08 | 05/20/38 | 212,248.56 | 228,692.70 | | | (773.20) | | 211,475.36 | 229,964.32 | 2,044.82 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/28/08 | 05/20/38 | 245,460.04 | 266,442.98 | | | (828.55) | | 244,631.49 | 267,685.97 | 2,071.54 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 05/28/08 | 04/20/38 | 76,232.31 | 82,748.71 | | | (270.95) | | 75,961.36 | 83,119.84 | 642.08 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/11/08 | 05/20/38 | 279,718.31 | 301,396.43 | | | (1,022.92) | | 278,695.39 | 303,067.75 | 2,694.24 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 07/09/08 | 06/20/38 | 250,032.43 | 272,753.78 | | | (939.19) | | 249,093.24 | 273,137.31 | 1,322.72 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/09/08 | 06/20/38 | 330,021.36 | 358,249.26 | | | (1,119.96) | | 328,901.40 | 359,914.01 | 2,784.71 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/16/08 | 06/20/38 | 145,921.09 | 157,236.00 | | | (520.45) | | 145,400.64 | 158,122.24 | 1,406.69 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/16/08 | 06/20/38 | 73,893.21 | 79,622.99 | | | (278.75) | | 73,614.46 | 80,055.24 | 711.00 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 07/16/08 | 11/20/37 | 67,101.49 | 73,387.99 | | | (226.52) | | 66,874.97 | 73,408.55 | 247.08 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/18/08 | 06/20/38 | 408,129.63 | 439,763.61 | | | (1,467.57) | | 406,662.06 | 442,229.78 | 3,933.74 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/25/08 | 06/20/38 | 101,228.19 | 109,075.23 | | | (531.43) | | 100,696.76 | 109,504.74 | 960.94 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 06/25/08 | 06/20/38 | 98,342.81 | 105,966.19 | | | (350.69) | | 97,992.12 | 106,563.52 | 948.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 06/25/08 | 05/20/38 | 721,429.62 | 786,974.97 | | | (2,401.26) | | 719,028.36 | 788,419.99 | 3,846.28 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/16/08 | 07/20/38 | 257,861.54 | 279,919.91 | | | (860.85) | | 257,000.69 | 281,236.23 | 2,177.17 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 07/23/08 | 07/20/38 | 190,727.95 | 208,063.45 | | | (700.76) | | 190,027.19 | 208,373.41 | 1,010.72 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/23/08 | 07/20/38 | 434,758.24 | 471,952.30 | | | (1,482.62) | | 433,275.62 | 474,137.98 | 3,668.30 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/23/08 | 07/20/38 | 203,916.81 | 221,362.13 | | | (774.07) | | 203,142.74 | 222,301.20 | 1,713.14 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/23/08 | 07/20/38 | 146,224.46 | 157,564.32 | | | (70,501.87) | | 75,722.59 | 82,348.65 | (4,713.80) | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 07/29/08 | 07/20/38 | 159,537.34 | 173,187.17 | | | (566.10) | | 158,971.24 | 173,964.93 | 1,343.86 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/29/08 | 07/20/38 | 231,257.36 | 249,193.38 | | | (899.28) | | 230,358.08 | 250,516.94 | 2,222.84 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 08/27/08 | 06/20/38 | 83,407.21 | 90,991.33 | | | (272.46) | | 83,134.75 | 91,164.06 | 445.19 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2006 FGH Single Family | 5.49 | 08/27/08 | 08/20/38 | 102,118.52 | 110,859.13 | | | (353.18) | | 101,765.34 | 111,367.14 | 861.19 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 08/13/08 | 07/20/38 | 220,090.25 | 238,924.54 | | | (742.57) | | 219,347.68 | 240,039.52 | 1,857.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/13/08 | 07/20/38 | 349,933.73 | 377,079.85 | | | (1,384.49) | | 348,549.24 | 379,056.87 | 3,361.51 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/13/08 | 08/20/38 | 216,803.86 | 233,622.90 | | | (765.76) | | 216,038.10 | 234,947.84 | 2,090.70 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 08/20/08 | 08/20/38 | 111,381.18 | 121,508.56 | | | (372.56) | | 111,008.62 | 121,729.67 | 593.67 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/27/08 | 07/20/38 | 140,515.95 | 151,418.63 | | | (498.24) | | 140,017.71 | 152,275.26 | 1,354.87 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 09/10/08 | 08/20/38 | 117,944.42 | 128,671.44 | | | (428.90) | | 117,515.52 | 128,867.86 | 625.32 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 09/10/08 | 08/20/38 | 70,632.22 | 76,113.91 | | | (250.81) | | 70,381.41 | 76,544.12 | 681.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 09/24/08 | 08/20/38 | 86,117.62 | 92,802.42 | | | (303.40) | | 85,814.22 | 93,329.57 | 830.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 10/08/08 | 09/20/38 | 350,302.66 | 377,501.08 | | | (1,234.38) | | 349,068.28 | 379,645.14 | 3,378.44 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 10/15/08 | 09/20/38 | 64,700.32 | 70,587.51 | | | (208.60) | | 64,491.72 | 70,724.53 | 345.62 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 10/15/08 | 05/20/38 | 164,206.22 | 176,955.62 | | | (1,238.00) | | 162,968.22 | 177,243.35 | 1,525.73 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 10/22/08 | 09/20/38 | 273,089.78 | 294,297.35 | | | (1,066.80) | | 272,022.98 | 295,855.20 | 2,624.65 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 11/12/08 | 09/20/38 | 113,383.96 | 122,191.84 | | | (397.01) | | 112,986.95 | 122,888.59 | 1,093.76 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 11/12/08 | 10/20/38 | 117,967.83 | 128,075.91 | | | (719.50) | | 117,248.33 | 128,321.77 | 965.36 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 11/25/08 | 10/20/38 | 146,732.78 | 159,307.69 | | | (479.90) | | 146,252.88 | 160,067.72 | 1,239.93 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 11/25/08 | 10/20/38 | 109,146.79 | 117,627.31 | | | (379.87) | | 108,766.92 | 118,300.53 | 1,053.09 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 11/25/08 | 09/20/38 | 76,239.93 | 83,180.75 | | | (449.36) | | 75,790.57 | 83,118.88 | 387.49 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 12/10/08 | 11/20/38 | 150,356.56 | 163,245.00 | | | (488.67) | | 149,867.89 | 164,027.19 | 1,270.86 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 12/17/08 | 09/20/38 | 159,721.61 | 172,135.53 | | | (560.04) | | 159,161.57 | 173,116.04 | 1,540.55 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 03/11/09 | 02/20/39 | 257,796.92 | 277,878.70 | | | (943.72) | | 256,853.20 | 279,413.17 | 2,478.19 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/18/09 | 01/20/39 | 139,764.20 | 151,760.94 | | | (448.46) | | 139,315.74 | 152,505.56 | 1,193.08 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 03/18/09 | 02/20/39 | 100,851.04 | 109,507.75 | | | (321.67) | | 100,529.37 | 110,047.28 | 861.20 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 04/08/09 | 03/20/39 | 142,919.13 | 154,056.87 | | | (497.93) | | 142,421.20 | 154,935.07 | 1,376.13 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 04/08/09 | 02/20/39 | 72,197.37 | 77,823.66 | | | (249.81) | | 71,947.56 | 78,269.17 | 695.32 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.70 | 01/14/09 | 12/20/38 | 66,250.84 | 72,286.43 | | | (212.20) | | 66,038.64 | 72,428.27 | 354.04 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 01/14/09 | 12/20/38 | 141,908.07 | 152,942.74 | | | (491.60) | | 141,416.47 | 153,820.59 | 1,369.45 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 05/20/09 | 05/20/39 | 287,248.20 | 309,648.29 | | | (1,006.52) | | 286,241.68 | 311,407.16 | 2,765.39 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 07/29/09 | 07/20/39 | 232,940.85 | 251,125.52 | | | (769.42) | | 232,171.43 | 252,602.90 | 2,246.80 | 0.00 |
| GNMA | 2006 FGH Single Family | 6.00 | 07/29/09 | 07/20/39 | 389,323.46 | 427,689.15 | | | (1,106.80) | | 388,216.66 | 428,059.65 | 1,477.30 | 0.00 |
| GNMA | 2006 FGH Single Family | 6.00 | 08/12/09 | 06/20/39 | 308,156.73 | 338,528.69 | | | (869.22) | | 307,287.51 | 338,829.14 | 1,169.67 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 08/12/09 | 07/20/39 | 131,735.80 | 143,067.01 | | | (715.65) | | 131,020.15 | 143,448.38 | 1,097.02 | 0.00 |
| GNMA | 2006 FGH Single Family | 6.00 | 08/19/09 | 07/20/39 | 429,631.79 | 471,980.16 | | | (1,549.84) | | 428,081.95 | 472,026.86 | 1,596.54 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.49 | 08/19/09 | 07/20/39 | 116,571.24 | 126,598.97 | | | (364.55) | | 116,206.69 | 127,230.65 | 996.23 | 0.00 |
| GNMA | 2006 FGH Single Family | 6.00 | 08/27/09 | 07/20/39 | 72,104.12 | 79,212.08 | | | (202.03) | | 71,902.09 | 79,709.43 | 699.38 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.25 | 08/27/09 | 08/20/39 | 134,989.49 | 145,846.25 | | | (436.18) | | 134,553.31 | 146,669.86 | 1,259.79 | 0.00 |
| GNMA | 2006 FGH Single Family | 5.15 | 08/27/09 | 08/20/39 | 78,806.55 | 84,961.29 | | | (258.31) | | 78,548.24 | 85,463.39 | 760.41 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 01/30/07 | 01/01/37 | 1,013,695.92 | 1,086,023.14 | | | (4,907.20) | | 1,008,788.72 | 1,084,550.29 | 3,434.35 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 02/13/07 | 01/01/37 | 64,823.87 | 69,795.23 | | | (237.62) | | 64,586.25 | 69,655.17 | 97.56 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 02/13/07 | 01/01/37 | 158,173.55 | 167,531.44 | | | (2,807.87) | | 155,365.68 | 166,629.14 | 1,905.57 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/13/07 | 02/01/37 | 1,278,608.36 | 1,371,310.85 | | | (209,674.82) | | 1,068,933.54 | 1,151,142.04 | (10,493.99) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/13/07 | 02/01/37 | 87,924.32 | 94,198.38 | | | (378.12) | | 87,546.20 | 94,121.72 | 301.46 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/20/07 | 02/01/37 | 1,196,652.91 | 1,282,047.01 | | | (271,690.18) | | 924,962.73 | 994,438.85 | (15,917.98) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 02/21/07 | 02/01/37 | 205,148.89 | 217,095.41 | | | (976.33) | | 204,172.56 | 218,530.44 | 2,411.36 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/07/07 | 02/01/37 | 2,155,275.11 | 2,309,091.09 | | | (8,934.84) | | 2,146,340.27 | 2,307,570.75 | 7,414.50 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/06/07 | 01/01/37 | 227,530.11 | 244,028.36 | | | (109,863.34) | | 117,666.77 | 126,717.06 | (7,447.96) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 03/20/07 | 02/01/37 | 330,547.53 | 349,800.29 | | | (1,444.73) | | 329,102.80 | 352,249.94 | 3,894.38 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/20/07 | 02/01/37 | 1,551,875.47 | 1,662,638.52 | | | (357,980.77) | | 1,193,894.70 | 1,283,586.37 | (21,071.38) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/20/07 | 02/01/37 | 80,995.55 | 86,776.50 | | | (305.61) | | 80,689.94 | 86,751.79 | 280.90 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 03/27/07 | 12/01/36 | 107,886.72 | 114,271.37 | | | (571.81) | | 107,314.91 | 115,096.60 | 1,397.04 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 04/10/07 | 03/01/37 | 451,096.63 | 485,704.01 | | | (1,880.99) | | 449,215.64 | 484,484.03 | 661.01 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 04/10/07 | 03/01/37 | 411,075.24 | 435,022.72 | | | (1,651.90) | | 409,423.34 | 438,224.16 | 4,853.34 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/10/07 | 03/01/37 | 2,120,922.69 | 2,272,323.61 | | | (10,531.31) | | 2,110,391.38 | 2,268,957.92 | 7,165.62 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/10/07 | 04/20/37 | 357,227.32 | 384,979.21 | | | (1,379.74) | | 355,847.58 | 384,814.06 | 1,214.59 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 04/24/07 | 04/01/37 | 61,320.49 | 66,025.36 | | | (28,793.90) | | 32,526.59 | 35,080.54 | (2,150.92) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 04/24/07 | 03/01/37 | 541,134.78 | 572,661.84 | | | (320,256.61) | | 220,878.17 | 236,417.00 | (15,988.23) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/24/07 | 04/01/37 | 795,211.69 | 851,983.45 | | | (163,707.77) | | 631,503.92 | 678,957.46 | (9,318.22) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/24/07 | 04/01/37 | 205,743.54 | 220,431.98 | | | (946.19) | | 204,797.35 | 220,186.57 | 700.78 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 05/08/07 | 04/01/37 | 301,917.86 | 319,510.46 | | | (2,608.99) | | 299,308.87 | 320,367.89 | 3,466.42 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 05/08/07 | 05/01/37 | 122,368.24 | 131,105.27 | | | (453.07) | | 121,915.17 | 131,077.23 | 425.03 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2006 FGH Single Family | 5.49 | 05/22/07 | 04/01/37 | 279,905.71 | 299,892.05 | | | (1,068.67) | | 278,837.04 | 299,793.18 | 969.80 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 05/22/07 | 04/01/37 | 225,648.10 | 242,963.84 | | | (1,129.40) | | 224,518.70 | 242,150.28 | 315.84 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 06/05/07 | 05/01/37 | 464,828.59 | 492,354.57 | | | (1,952.83) | | 462,875.76 | 496,458.04 | 6,056.30 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 06/19/07 | 06/01/37 | 543,254.18 | 584,951.11 | | | (2,300.07) | | 540,954.11 | 583,444.32 | 793.28 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 06/19/07 | 06/01/37 | 746,488.65 | 799,802.83 | | | (146,925.09) | | 599,563.56 | 644,633.78 | (8,243.96) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 07/03/07 | 06/01/37 | 534,253.74 | 575,263.29 | | | (1,965.92) | | 532,287.82 | 574,100.18 | 802.81 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 07/03/07 | 05/01/37 | 621,933.04 | 666,354.15 | | | (2,352.14) | | 619,580.90 | 666,158.54 | 2,156.53 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 07/03/07 | 06/01/37 | 282,642.25 | 302,830.38 | | | (1,129.79) | | 281,512.46 | 302,675.76 | 975.17 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 07/17/07 | 06/01/37 | 494,555.41 | 523,389.21 | | | (117,553.21) | | 377,002.20 | 403,540.19 | (2,295.81) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 08/07/07 | 07/01/37 | 988,114.42 | 1,068,842.49 | | | (74,151.11) | | 913,963.31 | 990,236.21 | (4,455.17) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 08/07/07 | 06/01/37 | 90,338.28 | 96,042.94 | | | (348.23) | | 89,990.05 | 96,761.55 | 1,066.84 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 08/07/07 | 07/01/37 | 942,749.18 | 1,014,719.20 | | | (131,054.82) | | 811,694.36 | 876,680.64 | (6,983.74) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 08/07/07 | 07/01/37 | 88,188.01 | 94,920.33 | | | (318.61) | | 87,869.40 | 94,904.45 | 302.73 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 08/23/07 | 07/01/37 | 462,305.21 | 497,604.38 | | | (2,589.02) | | 459,716.19 | 496,529.22 | 1,513.86 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 08/23/07 | 06/01/37 | 261,239.38 | 282,585.26 | | | (83,713.98) | | 177,525.40 | 192,342.54 | (6,528.74) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 09/11/07 | 08/01/37 | 563,224.61 | 598,811.60 | | | (2,631.24) | | 560,593.37 | 602,797.10 | 6,616.74 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 09/11/07 | 08/01/37 | 606,268.37 | 652,571.67 | | | (187,077.76) | | 419,190.61 | 452,766.67 | (12,727.24) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 09/11/07 | 08/01/37 | 149,741.89 | 161,178.32 | | | (542.96) | | 149,198.93 | 161,149.37 | 514.01 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 09/25/07 | 09/01/37 | 387,538.96 | 419,220.01 | | | (112,503.61) | | 275,035.35 | 298,001.68 | (8,714.72) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 09/25/07 | 08/01/37 | 526,399.08 | 566,609.26 | | | (1,975.25) | | 524,423.83 | 566,435.65 | 1,801.64 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 09/25/07 | 08/01/37 | 516,616.75 | 556,079.69 | | | (169,298.12) | | 347,318.63 | 375,142.48 | (11,639.09) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 09/25/07 | 08/01/37 | 232,845.58 | 247,560.77 | | | (915.31) | | 231,930.27 | 249,393.93 | 2,748.47 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 10/09/07 | 05/01/37 | 86,527.25 | 93,564.21 | | | (316.63) | | 86,210.62 | 93,603.57 | 355.99 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 10/09/07 | 09/01/37 | 309,175.88 | 334,323.46 | | | (1,534.91) | | 307,640.97 | 334,026.30 | 1,237.75 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 10/25/07 | 10/01/37 | 961,940.37 | 1,030,694.76 | | | (4,646.49) | | 957,293.88 | 1,034,362.17 | 8,313.90 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 10/25/07 | 10/01/37 | 761,623.84 | 823,585.66 | | | (3,341.93) | | 758,281.91 | 823,330.46 | 3,086.73 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 10/25/07 | 10/01/37 | 363,216.18 | 394,880.67 | | | (1,268.79) | | 361,947.39 | 393,701.68 | 89.80 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 11/08/07 | 10/01/37 | 253,144.79 | 273,742.68 | | | (926.32) | | 252,218.47 | 273,858.14 | 1,041.78 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 11/08/07 | 10/01/37 | 226,489.75 | 244,918.77 | | | (1,508.54) | | 224,981.21 | 244,283.99 | 873.76 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 11/08/07 | 09/01/37 | 80,886.70 | 87,468.02 | | | (288.25) | | 80,598.45 | 87,513.32 | 333.55 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 11/21/07 | 10/01/37 | 483,392.48 | 525,545.92 | | | (1,746.30) | | 481,646.18 | 523,913.49 | 113.87 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 11/21/07 | 05/01/37 | 133,157.40 | 143,992.01 | | | (490.17) | | 132,667.23 | 144,049.28 | 547.44 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 11/21/07 | 10/01/37 | 387,399.29 | 418,925.86 | | | (1,459.33) | | 385,939.96 | 419,056.80 | 1,590.27 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 11/28/07 | 10/01/37 | 99,803.89 | 108,507.78 | | | (445.66) | | 99,358.23 | 108,078.16 | 16.04 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 12/11/07 | 11/01/37 | 801,392.09 | 858,707.76 | | | (3,073.91) | | 798,318.18 | 862,624.49 | 6,990.64 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 12/11/07 | 11/01/37 | 555,166.82 | 600,357.82 | | | (2,715.42) | | 552,451.40 | 599,868.42 | 2,226.02 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 12/11/07 | 12/01/37 | 218,935.82 | 234,594.61 | | | (1,130.49) | | 217,805.33 | 235,350.51 | 1,886.39 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 12/11/07 | 11/01/37 | 321,869.23 | 349,944.01 | | | (1,094.37) | | 320,774.86 | 348,931.81 | 82.17 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 12/20/07 | 10/01/37 | 148,249.26 | 160,317.67 | | | (525.92) | | 147,723.34 | 160,403.27 | 611.52 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 12/28/07 | 12/01/37 | 214,293.52 | 229,623.53 | | | (806.64) | | 213,486.88 | 230,687.45 | 1,870.56 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 12/28/07 | 11/01/37 | 212,206.16 | 227,386.39 | | | (793.40) | | 211,412.76 | 228,445.75 | 1,852.76 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 12/28/07 | 12/01/37 | 119,662.83 | 130,102.43 | | | (404.09) | | 119,258.74 | 129,729.11 | 30.77 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 12/28/07 | 01/01/36 | 83,806.14 | 90,706.50 | | | (341.44) | | 83,464.70 | 90,773.45 | 408.39 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 01/16/08 | 12/01/37 | 247,426.57 | 267,575.93 | | | (21,448.46) | | 225,978.11 | 245,381.77 | (745.70) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 01/16/08 | 01/01/38 | 262,955.69 | 281,772.27 | | | (1,032.97) | | 261,922.72 | 283,031.17 | 2,291.87 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 01/30/08 | 12/01/37 | 237,264.92 | 256,589.86 | | | (88,167.02) | | 149,097.90 | 161,902.19 | (6,520.65) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 01/30/08 | 12/01/37 | 103,689.17 | 112,738.38 | | | (349.81) | | 103,339.36 | 112,415.27 | 26.70 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 01/30/08 | 11/01/37 | 112,738.33 | 120,806.51 | | | (424.40) | | 112,313.93 | 121,366.08 | 983.97 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 01/30/08 | 01/01/38 | 295,328.99 | 316,465.65 | | | (1,209.65) | | 294,119.34 | 317,826.05 | 2,570.05 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/01/38 | 275,880.56 | 298,354.92 | | | (2,524.02) | | 273,356.54 | 296,836.16 | 1,005.26 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/01/38 | 59,827.06 | 64,710.47 | | | (219.85) | | 59,607.21 | 64,728.91 | 238.29 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/13/08 | 01/01/38 | 219,989.49 | 237,946.25 | | | (781.68) | | 219,207.81 | 238,043.03 | 878.46 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 02/13/08 | 02/01/38 | 169,892.44 | 184,387.97 | | | (583.03) | | 169,309.41 | 183,949.80 | 144.86 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 02/19/08 | 12/01/37 | 132,905.86 | 142,420.07 | | | (1,140.40) | | 131,765.46 | 142,388.23 | 1,108.56 | 0.00 |
| FNMA | 2006 FGH Single Family | | | | 125,426.09 | 135,644.22 | | | (125,426.09) | | | | (10,218.13) | 0.00 |
| FNMA | 2006 FGH Single Family | | | | 156,539.00 | 169,317.44 | | | (156,539.00) | | | | (12,778.44) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 02/27/08 | 12/01/37 | 264,387.44 | 285,928.41 | | | (1,002.27) | | 263,385.17 | 286,010.90 | 1,084.76 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 03/12/08 | 02/01/38 | 309,783.98 | 332,027.32 | | | (166,042.02) | | 143,741.96 | 155,167.03 | (10,818.27) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/20/08 | 12/01/37 | 238,547.73 | 257,988.36 | | | (1,946.34) | | 236,601.39 | 256,931.24 | 889.22 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 03/20/08 | 02/01/38 | 406,611.68 | 439,750.57 | | | (1,506.16) | | 405,105.52 | 439,916.20 | 1,671.79 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2006 FGH Single Family | 5.49 | 03/20/08 | 02/01/38 | 210,363.06 | 227,541.65 | | | (733.05) | | 209,630.01 | 227,649.85 | 841.25 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 03/27/08 | 03/01/38 | 229,518.26 | 245,958.01 | | | (896.98) | | 228,621.28 | 247,061.92 | 2,000.89 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/08/08 | 01/01/38 | 124,900.74 | 135,102.24 | | | (435.21) | | 124,465.53 | 135,166.39 | 499.36 | 0.00 |
| FNMA | 2006 FGH Single Family | | | | 109,164.22 | 118,080.65 | | | (109,164.22) | | | | (8,916.43) | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/08/08 | 03/01/38 | 195,863.22 | 211,861.57 | | | (735.86) | | 195,127.36 | 211,904.40 | 778.69 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.15 | 04/17/08 | 03/01/38 | 119,665.75 | 128,262.36 | | | (437.11) | | 119,228.64 | 128,709.47 | 884.22 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.70 | 04/22/08 | 12/01/37 | 100,914.68 | 109,729.62 | | | (340.34) | | 100,574.34 | 109,415.13 | 25.85 | 0.00 |
| FNMA | 2006 FGH Single Family | 5.49 | 04/22/08 | 02/01/38 | 182,900.01 | 197,841.51 | | | (639.37) | | 182,260.64 | 197,933.20 | 731.06 | 0.00 |
| Repo Agmt | 2006 FGH Single Family | 0.20 | 08/31/10 | 09/01/10 | 29,388.90 | 29,388.90 | 0.00 | | | | 29,388.90 | 29,388.90 | - | 0.00 |
| | **2006 FGH Single Family Total** | | | | 106,226,955.06 | 114,338,832.08 | 4,541,180.61 | (2,557,048.85) | (5,752,198.07) | 0.00 | 102,458,888.75 | 110,733,344.59 | 162,578.82 | 0.00 |
| Repo Agmt | 2007A Single Family | 0.20 | 08/31/10 | 09/01/10 | 25.19 | 25.19 | 12,262,700.16 | | | | 12,262,725.35 | 12,262,725.35 | - | 0.00 |
| Inv Agmt | 2007A Single Family | 4.32 | 10/01/07 | 09/01/38 | 7,143,525.99 | 7,143,525.99 | | (6,217,150.62) | | | 926,375.37 | 926,375.37 | - | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 05/07/08 | 04/01/38 | 262,967.03 | 274,385.42 | | | (1,027.42) | | 261,939.61 | 278,860.05 | 5,502.05 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 05/07/08 | 01/01/38 | 164,922.11 | 177,188.45 | | | (1,173.70) | | 163,748.41 | 176,242.03 | 227.28 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 05/07/08 | 03/01/38 | 202,714.89 | 217,792.78 | | | (1,047.63) | | 201,667.26 | 217,054.88 | 309.73 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 05/28/08 | 03/01/38 | 264,115.60 | 283,764.48 | | | (976.00) | | 263,139.60 | 283,221.68 | 433.20 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 06/18/08 | 05/01/38 | 316,553.62 | 330,308.80 | | | (2,213.36) | | 314,340.26 | 334,655.73 | 6,560.29 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 06/18/08 | 05/01/38 | 359,901.82 | 386,683.72 | | | (1,332.09) | | 358,569.73 | 385,941.38 | 589.75 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 06/25/08 | 06/01/38 | 317,478.44 | 341,105.49 | | | (1,422.63) | | 316,055.81 | 340,184.53 | 501.67 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 06/25/08 | 05/01/38 | 75,193.20 | 78,490.51 | | | (306.11) | | 74,887.09 | 79,774.89 | 1,590.49 | 0.00 |
| Freddie Mac | 2007A Single Family | | | | 192,797.36 | 207,144.69 | | | (192,797.36) | | | | (14,347.33) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 07/16/08 | 06/01/38 | 135,154.86 | 145,215.41 | | | (510.09) | | 134,644.77 | 144,926.03 | 220.71 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 07/16/08 | 05/01/38 | 215,636.38 | 231,687.28 | | | (743.69) | | 214,892.69 | 231,301.09 | 357.50 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 07/23/08 | 06/01/38 | 152,814.56 | 164,190.31 | | | (519.97) | | 152,294.59 | 163,924.39 | 254.05 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 07/23/08 | 07/01/38 | 163,935.46 | 171,063.59 | | | (666.33) | | 163,269.13 | 173,825.77 | 3,428.51 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 08/13/08 | 07/01/38 | 137,672.22 | 147,923.13 | | | (806.22) | | 136,866.00 | 147,319.99 | 203.08 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 08/20/08 | 04/01/38 | 188,667.59 | 202,715.77 | | | (648.08) | | 188,019.51 | 202,380.67 | 312.98 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 09/17/08 | 07/01/38 | 25,400.71 | 27,292.68 | | | (85.56) | | 25,315.15 | 27,249.41 | 42.29 | 0.00 |
| Freddie Mac | 2007A Single Family | | | | 125,206.12 | 134,534.38 | | | (125,206.12) | | | | (9,328.26) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 10/08/08 | 08/01/38 | 112,452.35 | 120,830.30 | | | (376.81) | | 112,075.54 | 120,640.86 | 187.37 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 10/22/08 | 08/01/38 | 129,299.81 | 138,934.33 | | | (432.56) | | 128,867.25 | 138,717.13 | 215.36 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 12/30/08 | 11/01/38 | 82,787.20 | 86,396.91 | | | (310.73) | | 82,476.47 | 87,819.48 | 1,733.30 | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 02/20/98 | 01/01/28 | 74,605.24 | 81,514.51 | | | (1,329.15) | | 73,276.09 | 80,041.75 | (143.61) | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 03/27/98 | 03/01/28 | 174,024.52 | 192,272.79 | | | (1,315.59) | | 172,708.93 | 191,080.05 | 122.85 | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 06/29/98 | 05/01/28 | 44,851.60 | 49,554.77 | | | (2,888.27) | | 41,963.33 | 46,427.00 | (239.50) | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 02/20/98 | 01/20/28 | 967,238.58 | 1,070,481.57 | | | (10,154.08) | | 957,084.50 | 1,070,154.35 | 9,826.86 | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 11/30/98 | 09/01/28 | 199,217.67 | 220,107.66 | | | (1,598.82) | | 197,618.85 | 218,639.60 | 130.76 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 03/27/98 | 03/20/28 | 2,124,148.71 | 2,350,880.27 | | | (34,011.47) | | 2,090,137.24 | 2,337,066.07 | 20,197.27 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 05/19/98 | 05/20/28 | 1,297,430.47 | 1,435,918.13 | | | (80,613.39) | | 1,216,817.08 | 1,360,571.83 | 5,267.09 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 07/28/00 | 06/20/30 | 974,545.59 | 1,054,945.55 | | | (8,050.34) | | 966,495.25 | 1,051,972.03 | 5,076.82 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 08/14/98 | 07/20/28 | 741,782.71 | 820,960.64 | | | (7,427.52) | | 734,355.19 | 821,111.94 | 7,578.82 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 06/29/98 | 06/20/28 | 421,992.68 | 467,036.18 | | | (3,403.33) | | 418,589.35 | 468,041.50 | 4,408.65 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 09/18/98 | 09/20/28 | 576,280.31 | 637,792.50 | | | (71,928.71) | | 504,351.60 | 563,935.69 | (1,928.10) | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 03/31/99 | 11/01/28 | 104,191.20 | 115,116.59 | | | (2,283.48) | | 101,907.72 | 112,747.55 | (85.56) | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 11/30/98 | 11/20/28 | 463,246.55 | 512,693.48 | | | (3,737.96) | | 459,508.59 | 513,794.92 | 4,839.40 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 11/30/98 | 10/20/28 | 343,642.94 | 380,323.30 | | | (3,039.23) | | 340,603.71 | 380,842.54 | 3,558.47 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 11/30/98 | 10/20/28 | 149,913.23 | 165,915.04 | | | (1,140.09) | | 148,773.14 | 166,349.27 | 1,574.32 | 0.00 |
| FNMA | 2007A Single Family | 6.25 | 05/27/99 | 11/01/28 | 50,986.95 | 55,708.83 | | | (1,257.03) | | 49,729.92 | 54,321.47 | (130.33) | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 02/16/99 | 02/20/29 | 806,743.47 | 893,307.02 | | | (8,121.58) | | 798,621.89 | 892,316.18 | 7,130.74 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 03/31/99 | 02/20/29 | 53,800.92 | 59,573.77 | | | (1,161.13) | | 52,639.79 | 58,815.50 | 402.86 | 0.00 |
| GNMA | 2007A Single Family | 6.25 | 05/27/99 | 05/20/29 | 260,249.30 | 288,174.04 | | | (2,324.27) | | 257,925.03 | 288,184.79 | 2,335.02 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 07/30/99 | 07/20/29 | 509,125.07 | 551,112.58 | | | (4,306.01) | | 504,819.06 | 549,571.23 | 2,764.66 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 08/26/99 | 08/20/29 | 632,328.34 | 684,476.42 | | | (6,242.81) | | 626,085.53 | 681,587.98 | 3,354.37 | 0.00 |
| FNMA | 2007A Single Family | 5.45 | 09/20/99 | 08/01/29 | 97,860.56 | 104,993.32 | | | (692.60) | | 97,167.96 | 104,931.40 | 630.68 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 09/20/99 | 09/20/29 | 314,069.51 | 339,970.82 | | | (12,417.94) | | 301,651.57 | 328,392.98 | 840.10 | 0.00 |
| FNMA | 2007A Single Family | 5.45 | 12/20/99 | 12/01/29 | 346,438.72 | 371,687.17 | | | (90,940.74) | | 255,497.98 | 275,909.71 | (4,836.72) | 0.00 |
| FNMA | 2007A Single Family | 5.45 | 01/19/00 | 12/01/29 | 243,782.80 | 261,549.70 | | | (2,855.19) | | 240,927.61 | 260,175.33 | 1,480.82 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 10/28/99 | 10/20/29 | 844,011.13 | 913,616.68 | | | (42,149.03) | | 801,862.10 | 872,947.10 | 1,479.45 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 11/18/99 | 11/20/29 | 115,541.01 | 125,069.64 | | | (1,559.95) | | 113,981.06 | 124,085.45 | 575.76 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 5.45 | 12/30/99 | 12/20/29 | 1,987,803.81 | 2,151,737.98 | | | (18,240.82) | | 1,969,562.99 | 2,144,164.75 | 10,667.59 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 01/28/00 | 01/20/30 | 544,849.53 | 589,799.66 | | | (3,927.16) | | 540,922.37 | 588,761.59 | 2,889.09 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 02/22/00 | 01/20/30 | 294,169.30 | 318,438.19 | | | (2,082.88) | | 292,086.42 | 317,918.48 | 1,563.17 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 03/27/00 | 02/20/30 | 401,607.92 | 434,740.64 | | | (3,211.44) | | 398,396.48 | 433,630.72 | 2,101.52 | 0.00 |
| FNMA | 2007A Single Family | 5.45 | 04/27/00 | 03/01/30 | 230,378.30 | 246,691.39 | | | (1,656.56) | | 228,721.74 | 247,035.49 | 2,000.66 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 04/27/00 | 04/20/30 | 447,386.18 | 484,295.53 | | | (3,225.86) | | 444,160.32 | 483,441.84 | 2,372.17 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 05/30/00 | 04/20/30 | 89,896.03 | 97,312.51 | | | (616.30) | | 89,279.73 | 97,175.68 | 479.47 | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 06/21/00 | 05/20/30 | 548,733.97 | 594,004.49 | | | (77,957.86) | | 470,776.11 | 512,411.52 | (3,635.11) | 0.00 |
| GNMA | 2007A Single Family | 5.45 | 09/18/00 | 09/20/30 | 833,128.92 | 901,862.02 | | | (62,610.18) | | 770,518.74 | 838,663.38 | (588.46) | 0.00 |
| FNMA | 2007A Single Family | 5.45 | 07/24/00 | 06/01/30 | 128,182.27 | 137,258.81 | | | (2,099.03) | | 126,083.24 | 136,178.69 | 1,018.91 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 11/21/07 | 10/20/37 | 453,207.65 | 492,573.87 | | | (51,893.84) | | 401,313.81 | 438,578.54 | (2,101.49) | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 11/21/07 | 10/20/37 | 168,379.73 | 178,534.64 | | | (679.09) | | 167,700.64 | 181,679.06 | 3,823.51 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 11/21/07 | 10/20/37 | 302,823.66 | 329,706.03 | | | (1,079.57) | | 301,744.09 | 330,333.57 | 1,707.11 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 09/25/07 | 08/20/37 | 219,692.29 | 232,884.16 | | | (937.62) | | 218,754.67 | 236,930.41 | 4,983.87 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/25/07 | 09/20/37 | 1,749,874.55 | 1,904,748.95 | | | (115,192.73) | | 1,634,681.82 | 1,789,129.61 | (426.61) | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 09/25/07 | 09/20/37 | 4,952,485.93 | 5,249,883.85 | | | (125,093.21) | | 4,827,392.72 | 5,228,503.55 | 103,712.91 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/25/07 | 08/20/37 | 131,455.09 | 143,089.22 | | | (570.68) | | 130,884.41 | 143,250.17 | 731.63 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/09/07 | 09/20/37 | 743,368.11 | 809,321.01 | | | (2,789.67) | | 740,578.44 | 810,708.64 | 4,177.30 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 10/09/07 | 09/20/37 | 1,545,200.58 | 1,638,314.83 | | | (6,959.08) | | 1,538,241.50 | 1,666,381.61 | 35,025.86 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 08/23/07 | 08/20/37 | 359,954.54 | 391,870.51 | | | (1,596.56) | | 358,357.98 | 392,273.80 | 1,999.85 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 08/23/07 | 08/20/37 | 1,291,974.37 | 1,406,529.40 | | | (15,583.29) | | 1,276,391.08 | 1,397,191.60 | 6,245.49 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/23/07 | 08/20/37 | 3,100,192.01 | 3,286,844.37 | | | (340,352.56) | | 2,759,839.45 | 2,989,594.25 | 43,102.44 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/11/07 | 09/20/37 | 373,592.54 | 408,907.58 | | | (1,314.00) | | 372,278.54 | 409,685.31 | 2,091.73 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/11/07 | 08/20/37 | 479,598.11 | 524,931.53 | | | (114,523.27) | | 365,074.84 | 401,755.74 | (8,652.52) | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 09/11/07 | 08/20/37 | 4,445,521.78 | 4,727,322.94 | | | (112,833.92) | | 4,332,687.86 | 4,707,381.40 | 92,892.38 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 11/21/07 | 10/20/37 | 465,321.94 | 493,385.32 | | | (2,588.65) | | 462,733.29 | 501,303.67 | 10,507.00 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 11/21/07 | 10/20/37 | 318,355.56 | 346,008.35 | | | (1,165.95) | | 317,189.61 | 346,642.83 | 1,800.43 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 11/21/07 | 10/20/37 | 899,255.92 | 979,084.96 | | | (3,480.91) | | 895,775.01 | 980,647.37 | 5,043.32 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 11/21/07 | 10/20/37 | 131,044.34 | 138,947.57 | | | (527.38) | | 130,516.96 | 141,395.99 | 2,975.80 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/11/07 | 11/20/37 | 585,328.17 | 637,303.96 | | | (3,984.06) | | 581,344.11 | 636,439.77 | 3,119.87 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/11/07 | 11/20/37 | 1,234,519.36 | 1,309,003.18 | | | (4,953.48) | | 1,229,565.88 | 1,332,085.31 | 28,035.61 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/25/07 | 10/20/37 | 547,418.44 | 595,997.78 | | | (1,941.37) | | 545,477.07 | 597,143.31 | 3,086.90 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/25/07 | 10/20/37 | 1,377,568.19 | 1,497,184.70 | | | (5,042.31) | | 1,372,525.88 | 1,499,933.32 | 7,790.93 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 10/25/07 | 09/20/37 | 927,299.93 | 983,195.25 | | | (3,812.99) | | 923,486.94 | 1,000,432.39 | 21,050.13 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/25/07 | 10/20/37 | 1,191,820.23 | 1,297,585.47 | | | (78,813.14) | | 1,113,007.09 | 1,218,428.36 | (343.97) | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 10/25/07 | 10/20/37 | 1,165,172.89 | 1,235,410.30 | | | (4,814.09) | | 1,160,358.80 | 1,257,044.33 | 26,448.12 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 11/08/07 | 10/20/37 | 367,727.72 | 389,900.12 | | | (1,488.74) | | 366,238.98 | 396,761.03 | 8,349.65 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/28/07 | 12/20/37 | 395,640.16 | 419,519.31 | | | (1,586.37) | | 394,053.79 | 426,918.07 | 8,985.13 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/28/07 | 12/20/37 | 132,162.70 | 143,901.35 | | | (659.90) | | 131,502.80 | 143,968.61 | 727.16 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/28/07 | 12/20/37 | 132,968.83 | 144,779.08 | | | (469.45) | | 132,499.38 | 145,059.66 | 750.03 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/11/07 | 11/20/37 | 433,546.59 | 472,044.51 | | | (1,716.67) | | 431,829.92 | 472,755.68 | 2,427.84 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/11/07 | 11/20/37 | 441,181.29 | 480,357.16 | | | (47,599.86) | | 393,581.43 | 430,882.27 | (1,875.03) | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/11/07 | 12/20/37 | 1,523,498.33 | 1,615,422.41 | | | (6,403.33) | | 1,517,095.00 | 1,643,593.21 | 34,574.13 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/11/07 | 12/20/37 | 118,909.40 | 126,084.10 | | | (471.46) | | 118,437.94 | 128,313.52 | 2,700.88 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/20/07 | 12/20/37 | 464,063.93 | 492,068.86 | | | (1,844.66) | | 462,219.27 | 500,764.53 | 10,540.33 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/20/07 | 12/20/37 | 219,522.44 | 239,018.42 | | | (772.04) | | 218,750.40 | 239,484.91 | 1,238.53 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/20/07 | 12/20/37 | 239,259.12 | 253,697.73 | | | (948.63) | | 238,310.49 | 258,183.61 | 5,434.51 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/30/08 | 01/20/38 | 295,237.97 | 312,531.29 | | | (1,217.22) | | 294,020.75 | 318,467.61 | 7,153.54 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/30/08 | 11/20/37 | 184,672.72 | 201,081.60 | | | (647.31) | | 184,025.41 | 201,476.22 | 1,041.93 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/30/08 | 11/20/37 | 48,551.08 | 52,865.03 | | | (170.59) | | 48,380.49 | 52,968.32 | 273.88 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/30/08 | 01/20/38 | 287,745.63 | 304,600.10 | | | (1,134.20) | | 286,611.43 | 310,442.22 | 6,976.32 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/16/08 | 01/20/38 | 506,744.79 | 536,419.35 | | | (2,063.23) | | 504,681.56 | 546,636.42 | 12,280.30 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/16/08 | 12/20/37 | 195,053.43 | 212,382.10 | | | (900.44) | | 194,152.99 | 212,561.81 | 1,080.15 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/16/08 | 12/20/37 | 98,210.34 | 104,139.89 | | | (389.55) | | 97,820.79 | 105,981.13 | 2,230.79 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/30/08 | 01/20/38 | 381,827.28 | 404,192.50 | | | (93,271.64) | | 288,555.64 | 312,548.10 | 1,627.24 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/30/08 | 01/20/38 | 299,313.93 | 324,857.50 | | | (1,039.40) | | 298,274.53 | 326,341.19 | 2,523.09 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/30/08 | 12/20/37 | 284,822.39 | 310,130.56 | | | (1,034.46) | | 283,787.93 | 310,699.98 | 1,603.88 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/19/08 | 02/20/38 | 222,124.49 | 241,086.28 | | | (784.77) | | 221,339.72 | 242,172.71 | 1,871.20 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/30/08 | 12/20/37 | 52,178.20 | 56,814.55 | | | (197.24) | | 51,980.96 | 56,910.40 | 293.09 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/13/08 | 01/20/38 | 89,453.53 | 97,088.91 | | | (310.17) | | 89,143.36 | 97,532.84 | 754.10 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 4.75 | 02/13/08 | 01/20/38 | 155,389.32 | 164,493.45 | | | (1,421.55) | | 153,967.77 | 166,772.04 | 3,700.14 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 02/13/08 | 12/20/37 | 94,258.47 | 99,952.36 | | | (613.47) | | 93,645.00 | 101,459.86 | 2,120.97 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 04/08/08 | 04/20/38 | 171,979.96 | 186,671.32 | | | (86,024.19) | | 85,955.77 | 94,051.34 | (6,595.79) | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 04/08/08 | 11/20/37 | 129,146.11 | 140,631.18 | | | (452.66) | | 128,693.45 | 140,907.19 | 728.67 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/08/08 | 03/20/38 | 348,091.39 | 367,635.50 | | | (1,357.35) | | 346,734.04 | 374,712.29 | 8,434.14 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/08/08 | 04/20/38 | 247,672.11 | 262,199.71 | | | (148,908.38) | | 98,763.73 | 106,984.05 | (6,307.28) | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 03/12/08 | 03/20/38 | 283,173.51 | 307,354.56 | | | (977.30) | | 282,196.21 | 308,764.95 | 2,387.69 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 03/20/08 | 01/20/38 | 171,942.85 | 186,626.14 | | | (680.47) | | 171,262.38 | 187,387.28 | 1,441.61 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 02/19/08 | 02/20/38 | 123,080.52 | 130,292.89 | | | (482.33) | | 122,598.19 | 132,794.91 | 2,984.35 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 02/19/08 | 12/20/37 | 111,510.65 | 118,247.41 | | | (450.47) | | 111,060.18 | 120,329.10 | 2,532.16 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/19/08 | 01/20/38 | 338,061.07 | 366,918.74 | | | (1,188.44) | | 336,872.63 | 368,578.70 | 2,848.40 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 02/19/08 | 02/20/38 | 216,593.41 | 229,285.52 | | | (872.56) | | 215,720.85 | 233,662.76 | 5,249.80 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/19/08 | 10/20/37 | 144,959.67 | 157,842.77 | | | (511.32) | | 144,448.35 | 158,149.00 | 817.55 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 02/27/08 | 02/20/38 | 97,150.65 | 102,844.39 | | | (380.70) | | 96,769.95 | 104,819.34 | 2,355.65 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/27/08 | 02/20/38 | 213,741.67 | 231,989.73 | | | (804.19) | | 212,937.48 | 232,981.51 | 1,795.97 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/27/08 | 02/20/38 | 170,793.78 | 185,375.19 | | | (591.35) | | 170,202.43 | 186,223.77 | 1,439.93 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 03/20/08 | 12/20/37 | 114,344.45 | 121,256.09 | | | (453.35) | | 113,891.10 | 123,400.16 | 2,597.42 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 03/27/08 | 03/20/38 | 409,613.40 | 444,598.29 | | | (1,410.25) | | 408,203.15 | 446,642.20 | 3,454.16 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 03/27/08 | 02/20/38 | 177,452.04 | 192,607.74 | | | (617.55) | | 176,834.49 | 193,485.78 | 1,495.59 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/15/08 | 03/20/38 | 193,763.78 | 205,130.35 | | | (757.65) | | 193,006.13 | 209,071.29 | 4,698.59 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/15/08 | 02/20/38 | 112,454.14 | 119,050.68 | | | (443.33) | | 112,010.81 | 121,333.95 | 2,726.60 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 04/15/08 | 03/20/38 | 99,485.76 | 107,984.87 | | | (341.26) | | 99,144.50 | 108,482.67 | 839.06 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 04/24/08 | 04/20/38 | 379,336.95 | 411,748.83 | | | (1,429.33) | | 377,907.62 | 413,506.79 | 3,187.29 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/24/08 | 04/20/38 | 195,667.08 | 207,147.80 | | | (797.71) | | 194,869.37 | 211,092.17 | 4,742.08 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 04/22/08 | 03/20/38 | 154,164.43 | 163,209.17 | | | (605.13) | | 153,559.30 | 166,342.22 | 3,738.18 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 04/22/08 | 04/20/38 | 95,697.76 | 103,874.31 | | | (327.80) | | 95,369.96 | 104,353.67 | 807.16 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 05/07/08 | 04/20/38 | 253,108.92 | 274,739.06 | | | (866.52) | | 252,242.40 | 276,007.45 | 2,134.91 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 05/07/08 | 04/20/38 | 158,601.85 | 172,155.62 | | | (543.13) | | 158,058.72 | 172,950.24 | 1,337.75 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 05/07/08 | 05/20/38 | 339,410.20 | 359,330.50 | | | (1,346.17) | | 338,064.03 | 366,213.68 | 8,229.35 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 05/14/08 | 04/20/38 | 143,307.00 | 155,554.80 | | | (5,696.46) | | 137,610.54 | 150,576.60 | 718.26 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 05/14/08 | 05/20/38 | 276,387.48 | 292,610.97 | | | (1,079.77) | | 275,307.71 | 298,233.91 | 6,702.71 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 05/21/08 | 05/20/38 | 136,946.33 | 144,985.89 | | | (867.63) | | 136,078.70 | 147,411.67 | 3,293.41 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 05/28/08 | 05/20/38 | 345,258.59 | 374,772.73 | | | (1,238.72) | | 344,019.87 | 376,440.88 | 2,906.87 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 05/28/08 | 04/20/38 | 148,215.26 | 160,884.83 | | | (519.26) | | 147,696.00 | 161,614.64 | 1,249.07 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 05/28/08 | 04/20/38 | 30,705.75 | 32,508.53 | | | (123.07) | | 30,582.68 | 33,129.81 | 744.35 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 06/11/08 | 05/20/38 | 308,153.68 | 334,500.68 | | | (1,216.26) | | 306,937.42 | 335,868.48 | 2,584.06 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 07/09/08 | 07/20/38 | 228,060.70 | 247,568.05 | | | (793.95) | | 227,266.75 | 248,696.58 | 1,922.48 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 07/09/08 | 06/20/38 | 185,276.96 | 201,124.36 | | | (625.27) | | 184,651.69 | 202,062.78 | 1,563.69 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 07/09/08 | 06/20/38 | 231,337.24 | 244,931.22 | | | (888.83) | | 230,448.41 | 249,653.87 | 5,611.48 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 07/16/08 | 06/20/38 | 166,644.95 | 176,438.69 | | | (655.66) | | 165,989.29 | 179,824.02 | 4,040.99 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 07/16/08 | 05/20/38 | 113,083.55 | 122,756.61 | | | (427.06) | | 112,656.49 | 123,279.66 | 950.11 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 06/18/08 | 05/20/38 | 240,082.97 | 260,611.80 | | | (826.24) | | 239,256.73 | 261,810.25 | 2,024.69 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 06/18/08 | 04/20/38 | 112,722.13 | 119,342.84 | | | (436.62) | | 112,285.51 | 121,640.13 | 2,733.91 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 06/18/08 | 06/20/38 | 181,982.91 | 197,544.16 | | | (101,436.07) | | 80,546.84 | 88,139.85 | (7,968.24) | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 06/25/08 | 06/20/38 | 103,389.11 | 112,230.76 | | | (349.32) | | 103,039.79 | 112,753.97 | 872.53 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 07/23/08 | 06/20/38 | 106,162.89 | 115,245.01 | | | (364.95) | | 105,797.94 | 115,775.42 | 895.36 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 07/23/08 | 07/20/38 | 119,360.32 | 126,376.28 | | | (456.79) | | 118,903.53 | 128,815.10 | 2,895.61 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/27/08 | 08/20/38 | 77,967.89 | 82,553.99 | | | (295.14) | | 77,672.75 | 84,150.64 | 1,891.79 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 08/13/08 | 08/20/38 | 290,556.60 | 315,421.70 | | | (1,538.18) | | 289,018.42 | 316,283.19 | 2,399.67 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/13/08 | 07/20/38 | 71,633.15 | 75,845.42 | | | (283.08) | | 71,350.07 | 77,299.31 | 1,736.97 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/13/08 | 06/20/38 | 269,257.66 | 285,090.32 | | | (1,045.29) | | 268,212.37 | 290,575.63 | 6,530.60 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/20/08 | 08/20/38 | 291,040.74 | 308,157.70 | | | (1,128.74) | | 289,912.00 | 314,088.04 | 7,059.08 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 08/27/08 | 07/20/38 | 1,040,723.93 | 1,101,937.56 | | | (124,912.11) | | 915,811.82 | 992,187.29 | 15,161.84 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 08/27/08 | 08/20/38 | 88,738.87 | 96,334.28 | | | (343.67) | | 88,395.20 | 96,735.49 | 744.88 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/10/08 | 07/20/38 | 279,414.05 | 303,333.88 | | | (946.05) | | 278,468.00 | 304,745.81 | 2,357.98 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/24/08 | 08/20/38 | 198,816.94 | 215,840.58 | | | (666.70) | | 198,150.24 | 216,852.33 | 1,678.45 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/24/08 | 08/20/38 | 28,712.66 | 31,171.17 | | | (100.52) | | 28,612.14 | 31,312.65 | 242.00 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 09/24/08 | 09/20/38 | 84,630.07 | 91,876.68 | | | (286.78) | | 84,343.29 | 92,304.17 | 714.27 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/15/08 | 09/20/38 | 332,237.90 | 360,694.43 | | | (1,835.96) | | 330,401.94 | 361,595.16 | 2,736.69 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/15/08 | 09/20/38 | 103,159.79 | 111,995.53 | | | (348.60) | | 102,811.19 | 112,517.59 | 870.66 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 4.75 | 10/22/08 | 09/20/38 | 256,978.23 | 272,110.31 | | | (973.99) | | 256,004.24 | 277,371.47 | 6,235.15 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/22/08 | 09/20/38 | 342,251.31 | 371,568.12 | | | (1,156.96) | | 341,094.35 | 373,299.68 | 2,888.52 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 10/29/08 | 09/20/38 | 126,066.94 | 136,866.79 | | | (414.91) | | 125,652.03 | 137,516.92 | 1,065.04 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 10/29/08 | 10/20/38 | 233,830.46 | 247,601.75 | | | (885.92) | | 232,944.54 | 252,389.67 | 5,673.84 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 11/25/08 | 11/20/38 | 97,902.55 | 103,671.60 | | | (364.09) | | 97,538.46 | 105,683.62 | 2,376.11 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 12/10/08 | 09/20/38 | 156,303.55 | 169,701.24 | | | (514.27) | | 155,789.28 | 170,507.34 | 1,320.37 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/10/08 | 11/20/38 | 76,708.23 | 81,229.69 | | | (341.44) | | 76,366.79 | 82,745.30 | 1,857.05 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/17/08 | 11/20/38 | 110,643.41 | 117,165.96 | | | (411.59) | | 110,231.82 | 119,439.74 | 2,685.37 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/30/08 | 12/20/38 | 332,971.65 | 352,606.04 | | | (1,459.92) | | 331,511.73 | 359,209.12 | 8,063.00 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 12/30/08 | 11/20/38 | 186,921.33 | 197,943.35 | | | (697.81) | | 186,223.52 | 201,782.07 | 4,536.53 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/14/09 | 12/20/38 | 200,349.26 | 217,531.39 | | | (689.10) | | 199,660.16 | 218,532.17 | 1,689.88 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/14/09 | 12/20/38 | 80,256.98 | 84,990.88 | | | (301.92) | | 79,955.06 | 86,636.61 | 1,947.65 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/21/09 | 01/20/39 | 520,296.79 | 562,007.18 | | | (2,129.59) | | 518,167.20 | 564,691.73 | 4,814.14 | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 01/21/09 | 01/20/39 | 79,600.97 | 86,428.40 | | | (256.16) | | 79,344.81 | 86,851.75 | 679.51 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/21/09 | 01/20/39 | 396,421.99 | 428,201.77 | | | (1,338.41) | | 395,083.58 | 430,556.83 | 3,693.47 | 0.00 |
| GNMA | 2007A Single Family | 5.15 | 01/21/09 | 01/20/39 | 257,399.03 | 277,434.94 | | | (883.20) | | 256,515.83 | 279,031.21 | 2,479.47 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/21/09 | 12/20/38 | 96,334.82 | 102,017.79 | | | (356.65) | | 95,978.17 | 103,999.44 | 2,338.30 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/21/09 | 01/20/39 | 611,055.01 | 660,041.18 | | | (2,069.22) | | 608,985.79 | 663,664.62 | 5,692.66 | 0.00 |
| GNMA | 2007A Single Family | 4.75 | 01/21/09 | 01/20/39 | 117,132.42 | 124,024.75 | | | (430.61) | | 116,701.81 | 126,513.14 | 2,919.00 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/21/09 | 01/20/39 | 190,167.94 | 208,864.22 | | | (586.25) | | 189,581.69 | 210,191.43 | 1,913.46 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 08/23/07 | 08/01/37 | 299,108.19 | 321,947.48 | | | (65,653.74) | | 233,454.45 | 252,149.46 | (4,144.28) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 08/23/07 | 08/01/37 | 340,505.94 | 366,506.28 | | | (1,259.25) | | 339,246.69 | 366,413.53 | 1,166.50 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 08/23/07 | 08/01/37 | 1,504,432.87 | 1,572,198.17 | | | (128,333.22) | | 1,376,099.65 | 1,469,690.11 | 25,825.16 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 09/11/07 | 08/01/37 | 837,838.08 | 911,021.10 | | | (3,320.92) | | 834,517.16 | 910,461.69 | 2,761.51 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 09/11/07 | 08/01/37 | 249,209.19 | 270,976.97 | | | (1,389.16) | | 247,820.03 | 270,372.68 | 784.87 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 09/11/07 | 08/01/37 | 1,339,369.99 | 1,413,991.06 | | | (13,173.38) | | 1,326,196.61 | 1,430,718.93 | 29,901.25 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 09/25/07 | 09/01/37 | 1,407,285.97 | 1,514,789.30 | | | (133,019.23) | | 1,274,266.74 | 1,376,351.59 | (5,418.48) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 09/25/07 | 08/01/37 | 129,765.06 | 141,103.17 | | | (521.11) | | 129,243.95 | 141,009.14 | 427.08 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 09/25/07 | 09/01/37 | 1,902,932.18 | 2,009,012.74 | | | (234,254.18) | | 1,668,678.00 | 1,800,247.54 | 25,488.98 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 10/09/07 | 09/01/37 | 803,185.80 | 868,514.90 | | | (118,199.29) | | 684,986.51 | 743,735.48 | (6,580.13) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 10/09/07 | 09/01/37 | 42,077.27 | 45,499.73 | | | (243.98) | | 41,833.29 | 45,421.19 | 165.44 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 10/09/07 | 09/01/37 | 575,854.93 | 606,874.54 | | | (2,403.67) | | 573,451.26 | 616,147.29 | 11,676.42 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 10/09/07 | 08/01/37 | 259,494.21 | 273,471.85 | | | (1,408.14) | | 258,086.07 | 277,300.90 | 5,237.19 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 10/25/07 | 09/01/37 | 990,085.43 | 1,070,631.61 | | | (213,291.43) | | 776,794.00 | 843,428.08 | (13,912.10) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 10/25/07 | 10/01/37 | 487,209.55 | 526,846.45 | | | (2,517.56) | | 484,691.99 | 526,270.89 | 1,942.00 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 10/25/07 | 10/01/37 | 1,073,188.47 | 1,131,016.26 | | | (158,593.05) | | 914,595.42 | 982,707.03 | 10,283.82 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 10/25/07 | 10/01/37 | 652,710.63 | 705,811.84 | | | (175,796.92) | | 476,913.71 | 517,825.33 | (12,189.59) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 11/08/07 | 10/01/37 | 406,673.34 | 439,763.54 | | | (1,478.35) | | 405,194.99 | 439,959.64 | 1,674.45 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 11/08/07 | 09/01/37 | 103,758.14 | 109,350.05 | | | (420.47) | | 103,337.67 | 111,034.42 | 2,104.84 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 11/21/07 | 10/01/37 | 130,504.25 | 137,539.54 | | | (17,355.12) | | 113,149.13 | 121,578.25 | 1,393.83 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 11/21/07 | 10/01/37 | 586,159.86 | 633,861.58 | | | (2,118.91) | | 584,040.95 | 634,156.51 | 2,413.84 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 11/21/07 | 09/01/37 | 396,812.76 | 429,104.10 | | | (1,803.58) | | 395,009.18 | 428,903.37 | 1,602.85 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 11/28/07 | 09/01/37 | 115,616.80 | 121,849.90 | | | (469.20) | | 115,147.60 | 123,726.09 | 2,345.39 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/11/07 | 11/01/37 | 781,128.05 | 844,712.46 | | | (3,193.48) | | 777,934.57 | 844,704.85 | 3,185.87 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/12/07 | 09/01/37 | 91,759.91 | 99,228.84 | | | (328.60) | | 91,431.31 | 99,278.37 | 378.13 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 12/11/07 | 12/01/37 | 613,990.66 | 647,103.72 | | | (3,270.68) | | 610,719.98 | 656,230.56 | 12,397.52 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/11/07 | 11/01/37 | 368,474.79 | 398,468.92 | | | (1,335.68) | | 367,139.11 | 398,650.73 | 1,517.49 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 12/20/07 | 12/01/37 | 210,195.96 | 221,533.80 | | | (3,964.13) | | 206,231.83 | 221,601.92 | 4,032.25 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/20/07 | 12/01/37 | 316,845.79 | 342,640.74 | | | (1,151.78) | | 315,694.01 | 342,793.54 | 1,304.58 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/28/07 | 10/01/37 | 145,159.04 | 156,977.00 | | | (532.20) | | 144,626.84 | 157,041.93 | 597.13 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 12/28/07 | 12/01/37 | 309,100.67 | 325,775.34 | | | (1,256.07) | | 307,844.60 | 330,789.71 | 6,270.44 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 12/28/07 | 12/01/37 | 88,324.92 | 95,516.18 | | | (309.25) | | 88,015.67 | 95,571.61 | 364.68 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 01/16/08 | 08/01/37 | 231,272.36 | 250,103.91 | | | (121,528.39) | | 109,743.97 | 119,165.96 | (9,409.56) | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 01/30/08 | 09/01/37 | 326,609.00 | 353,208.77 | | | (1,172.27) | | 325,436.73 | 353,381.86 | 1,345.36 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 01/30/08 | 12/01/37 | 102,688.97 | 108,231.66 | | | (409.81) | | 102,279.16 | 109,905.61 | 2,083.76 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 01/30/08 | 12/01/37 | 92,704.47 | 97,708.25 | | | (369.16) | | 92,335.31 | 99,220.30 | 1,881.21 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 01/30/08 | 01/01/38 | 132,640.46 | 143,465.57 | | | (461.47) | | 132,178.99 | 143,534.61 | 530.51 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 02/13/08 | 11/01/37 | 392,595.85 | 424,576.59 | | | (1,867.83) | | 390,728.02 | 424,286.98 | 1,578.22 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 02/13/08 | 01/01/38 | 421,433.41 | 444,071.93 | | | (3,092.37) | | 418,341.04 | 449,241.26 | 8,261.70 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 02/19/08 | 01/01/38 | 202,146.11 | 218,614.86 | | | (967.42) | | 201,178.69 | 218,459.78 | 812.34 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2007A Single Family | 5.49 | 02/27/08 | 02/01/38 | 105,710.16 | 114,323.35 | | | (368.07) | | 105,342.09 | 114,391.93 | 436.65 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 03/12/08 | 02/01/38 | 227,981.13 | 240,296.24 | | | (910.26) | | 227,070.87 | 244,012.28 | 4,626.30 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 03/20/08 | 02/01/38 | 295,879.04 | 320,040.99 | | | (1,070.41) | | 294,808.63 | 320,150.43 | 1,179.85 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 03/20/08 | 11/01/37 | 348,822.57 | 377,249.36 | | | (1,567.06) | | 347,255.51 | 377,092.48 | 1,410.18 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 03/27/08 | 03/01/38 | 200,009.38 | 210,762.19 | | | (782.63) | | 199,226.75 | 213,951.23 | 3,971.67 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 04/08/08 | 03/01/38 | 181,527.23 | 196,354.60 | | | (626.35) | | 180,900.88 | 196,454.72 | 726.47 | 0.00 |
| FNMA | 2007A Single Family | 4.75 | 04/08/08 | 02/01/38 | 141,337.45 | 148,937.17 | | | (556.29) | | 140,781.16 | 151,187.26 | 2,806.38 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 04/22/08 | 02/01/38 | 101,033.35 | 109,286.99 | | | (349.17) | | 100,684.18 | 109,341.99 | 404.17 | 0.00 |
| FNMA | 2007A Single Family | 5.49 | 04/22/08 | 04/01/38 | 188,268.52 | 203,649.40 | | | (132,753.38) | | 55,515.14 | 60,289.18 | (10,606.84) | 0.00 |
| Repo Agmt | 2007A Single Family | 0.20 | 08/31/10 | 09/01/10 | 707,415.94 | 707,415.94 | | (410,160.34) | | | 297,255.60 | 297,255.60 | - | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 12/11/07 | 11/01/37 | 8,281.67 | 8,825.27 | | | (31.34) | | 8,250.33 | 8,855.68 | 61.75 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 12/11/07 | 11/01/37 | 5,895.66 | 6,282.66 | | | (21.77) | | 5,873.89 | 6,304.90 | 44.01 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 12/20/07 | 12/01/37 | 22,114.80 | 23,566.62 | | | (88.46) | | 22,026.34 | 23,642.74 | 164.58 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 12/20/07 | 12/01/37 | 4,569.62 | 4,972.10 | | | (14.99) | | 4,554.63 | 4,939.90 | (17.21) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 12/20/07 | 12/01/37 | 16,031.17 | 17,083.62 | | | (59.16) | | 15,972.01 | 17,144.11 | 119.65 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 01/16/08 | 12/01/37 | 17,682.78 | 18,843.99 | | | (69.72) | | 17,613.06 | 18,905.92 | 131.65 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 01/16/08 | 12/01/37 | 4,053.01 | 4,410.07 | | | (13.03) | | 4,039.98 | 4,381.80 | (15.24) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 01/16/08 | 12/01/37 | 7,520.98 | 8,014.90 | | | (27.65) | | 7,493.33 | 8,043.38 | 56.13 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 01/30/08 | 01/01/38 | 14,789.62 | 15,761.00 | | | (60.38) | | 14,729.24 | 15,810.58 | 109.96 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 01/30/08 | 12/01/37 | 9,316.91 | 9,928.87 | | | (35.33) | | 9,281.58 | 9,963.00 | 69.46 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 01/30/08 | 01/01/38 | 3,702.10 | 4,026.27 | | | (11.91) | | 3,690.19 | 3,999.30 | (15.06) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 02/13/08 | 01/01/38 | 5,842.76 | 6,354.50 | | | (30.23) | | 5,812.53 | 6,299.52 | (24.75) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 02/13/08 | 01/01/38 | 7,588.24 | 8,086.71 | | | (27.76) | | 7,560.48 | 8,115.59 | 56.64 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 03/20/08 | 02/01/38 | 2,645.44 | 2,819.29 | | | (9.59) | | 2,635.85 | 2,829.47 | 19.77 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 03/20/08 | 03/01/38 | 5,286.89 | 5,750.07 | | | (16.88) | | 5,270.01 | 5,711.68 | (21.51) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 03/20/08 | 11/01/37 | 4,378.31 | 4,666.03 | | | (39.59) | | 4,338.72 | 4,657.39 | 30.95 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 04/22/08 | 02/01/38 | 2,249.00 | 2,447.30 | | | (7.55) | | 2,241.45 | 2,431.27 | (8.48) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 04/22/08 | 01/01/38 | 5,351.19 | 5,702.97 | | | (19.50) | | 5,331.69 | 5,723.41 | 39.94 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 05/14/08 | 04/01/38 | 9,915.86 | 10,567.94 | | | (35.78) | | 9,880.08 | 10,606.25 | 74.09 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 05/15/08 | 04/01/38 | 8,541.14 | 9,289.81 | | | (3,040.28) | | 5,500.86 | 5,962.12 | (287.41) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 05/21/08 | 04/01/38 | 11,772.25 | 12,546.50 | | | (42.50) | | 11,729.75 | 12,591.93 | 87.93 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 05/21/08 | 05/01/38 | 8,266.46 | 8,810.35 | | | (30.38) | | 8,236.08 | 8,841.67 | 61.70 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 05/28/08 | 04/01/38 | 9,007.44 | 9,599.86 | | | (32.79) | | 8,974.65 | 9,634.34 | 67.27 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 05/28/08 | 05/01/38 | 4,841.69 | 5,160.14 | | | (17.23) | | 4,824.46 | 5,179.10 | 36.19 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 06/18/08 | 05/01/38 | 10,313.80 | 11,218.15 | | | (40.21) | | 10,273.59 | 11,135.35 | (42.59) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 06/18/08 | 02/01/38 | 2,853.16 | 3,040.86 | | | (13.82) | | 2,839.34 | 3,048.09 | 21.05 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 06/18/08 | 05/01/38 | 5,108.14 | 5,444.20 | | | (18.17) | | 5,089.97 | 5,464.20 | 38.17 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 06/25/08 | 05/01/38 | 3,673.91 | 3,996.07 | | | (11.43) | | 3,662.48 | 3,969.72 | (14.92) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 07/16/08 | 06/01/38 | 5,725.56 | 6,227.74 | | | (28.81) | | 5,696.75 | 6,174.73 | (24.20) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 07/16/08 | 06/01/38 | 7,799.22 | 8,312.51 | | | (29.77) | | 7,769.45 | 8,340.89 | 58.15 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 07/23/08 | 06/01/38 | 5,231.67 | 5,690.54 | | | (24.67) | | 5,207.00 | 5,643.92 | (21.95) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 08/13/08 | 06/01/38 | 5,393.57 | 5,866.75 | | | (21.11) | | 5,372.46 | 5,823.35 | (22.29) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 08/13/08 | 08/01/38 | 2,587.13 | 2,814.10 | | | (7.88) | | 2,579.25 | 2,795.71 | (10.51) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 08/20/08 | 06/01/38 | 5,408.72 | 5,883.26 | | | (17.72) | | 5,391.00 | 5,843.49 | (22.05) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 08/27/08 | 08/01/38 | 10,737.57 | 11,679.69 | | | (33.45) | | 10,704.12 | 11,602.62 | (43.62) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 09/17/08 | 08/01/38 | 7,711.28 | 8,388.00 | | | (35.90) | | 7,675.38 | 8,319.76 | (32.34) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 09/17/08 | 08/01/38 | 2,963.90 | 3,159.12 | | | (10.76) | | 2,953.14 | 3,170.48 | 22.12 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 09/24/08 | 08/01/38 | 6,336.20 | 6,753.53 | | | (6.73) | | 6,329.47 | 6,795.33 | 48.53 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 09/24/08 | 06/01/38 | 3,532.63 | 3,842.65 | | | (10.98) | | 3,521.65 | 3,817.31 | (14.36) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 09/24/08 | 06/01/38 | 5,091.70 | 5,427.07 | | | (18.08) | | 5,073.62 | 5,447.05 | 38.06 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 10/08/08 | 09/01/38 | 3,976.71 | 4,238.68 | | | (46.96) | | 3,929.75 | 4,219.02 | 27.30 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 10/15/08 | 09/01/38 | 7,906.18 | 8,600.16 | | | (24.63) | | 7,881.55 | 8,543.41 | (32.12) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 10/22/08 | 07/01/38 | 4,378.85 | 4,667.35 | | | (15.38) | | 4,363.47 | 4,684.70 | 32.73 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 10/22/08 | 07/01/38 | 2,697.87 | 2,934.70 | | | (8.28) | | 2,689.59 | 2,915.47 | (10.95) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 10/22/08 | 09/01/38 | 2,743.16 | 2,983.96 | | | (8.31) | | 2,734.85 | 2,964.52 | (11.13) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 10/22/08 | 08/01/38 | 5,404.25 | 5,760.30 | | | (19.67) | | 5,384.58 | 5,780.99 | 40.36 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 11/19/08 | 09/01/38 | 4,050.82 | 4,317.81 | | | (14.70) | | 4,036.12 | 4,333.36 | 30.25 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 12/10/08 | 11/01/38 | 11,296.87 | 12,041.66 | | | (46.45) | | 11,250.42 | 12,079.19 | 83.98 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 12/17/08 | 11/01/38 | 5,957.79 | 6,481.05 | | | (20.11) | | 5,937.68 | 6,436.61 | (24.33) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 01/14/09 | 11/01/38 | 2,963.45 | 3,158.90 | | | (10.18) | | 2,953.27 | 3,170.89 | 22.17 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Freddie Mac | 2007A Single Family | 6.00 | 01/14/09 | 11/01/38 | 7,324.52 | 7,967.99 | | | (23.41) | | 7,301.11 | 7,914.75 | (29.83) | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 02/18/09 | 01/01/39 | 4,760.87 | 5,179.27 | | | (22.45) | | 4,738.42 | 5,136.81 | (20.01) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 02/18/09 | 12/01/38 | 4,041.61 | 4,308.28 | | | (13.78) | | 4,027.83 | 4,324.75 | 30.25 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.49 | 02/18/09 | 09/01/38 | 4,924.00 | 5,291.35 | | | (16.36) | | 4,907.64 | 5,283.19 | 8.20 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 02/18/09 | 10/01/38 | 1,702.62 | 1,776.91 | | | (6.43) | | 1,696.19 | 1,806.12 | 35.64 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 02/18/09 | 12/01/38 | 2,470.37 | 2,578.18 | | | (9.70) | | 2,460.67 | 2,620.17 | 51.69 | 0.00 |
| Freddie Mac | 2007A Single Family | 4.75 | 03/11/09 | 12/01/38 | 2,926.84 | 3,054.61 | | | (10.93) | | 2,915.91 | 3,104.97 | 61.29 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 03/25/09 | 02/01/39 | 2,565.18 | 2,734.25 | | | (8.65) | | 2,556.53 | 2,744.82 | 19.22 | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 03/25/09 | 01/01/39 | 2,893.19 | 3,084.18 | | | (36.64) | | 2,856.55 | 3,067.21 | 19.67 | 0.00 |
| Freddie Mac | 2007A Single Family | 6.00 | 03/25/09 | 11/01/38 | 1,859.57 | 2,023.04 | | | (10.36) | | 1,849.21 | 2,004.75 | (7.93) | 0.00 |
| Freddie Mac | 2007A Single Family | 5.25 | 03/25/09 | 12/01/38 | 2,255.51 | 2,404.38 | | | (25.53) | | 2,229.98 | 2,394.42 | 15.57 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 10/29/09 | 10/01/39 | 3,548.39 | 3,815.65 | | | (14.93) | | 3,533.46 | 3,823.46 | 22.74 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/28/07 | 12/20/37 | 10,123.66 | 10,940.24 | | | (37.44) | | 10,086.22 | 10,977.80 | 75.00 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/11/07 | 11/20/37 | 16,820.55 | 18,353.13 | | | (57.88) | | 16,762.67 | 18,312.33 | 17.08 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/11/07 | 11/20/37 | 73,506.94 | 79,573.35 | | | (8,479.00) | | 65,027.94 | 70,897.59 | (196.76) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/11/07 | 11/20/37 | 8,714.84 | 9,434.04 | | | (4,654.26) | | 4,060.58 | 4,427.07 | (352.71) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/11/07 | 11/20/37 | 6,760.06 | 7,444.42 | | | (21.66) | | 6,738.40 | 7,472.15 | 49.39 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/11/07 | 12/20/37 | 69,988.74 | 75,765.04 | | | (300.23) | | 69,688.51 | 75,979.08 | 514.27 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/11/07 | 11/20/37 | 8,945.15 | 9,683.37 | | | (32.86) | | 8,912.29 | 9,716.73 | 66.22 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/20/07 | 12/20/37 | 29,870.35 | 32,335.91 | | | (132.93) | | 29,737.42 | 32,422.01 | 219.03 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/20/07 | 12/20/37 | 3,306.01 | 3,640.75 | | | (10.58) | | 3,295.43 | 3,649.88 | 19.71 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/20/07 | 12/20/37 | 12,472.97 | 13,502.52 | | | (45.75) | | 12,427.22 | 13,549.12 | 92.35 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/20/07 | 11/20/37 | 4,406.91 | 4,770.65 | | | (16.25) | | 4,390.66 | 4,787.02 | 32.62 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/20/07 | 12/20/37 | 6,526.12 | 7,064.80 | | | (28.97) | | 6,497.15 | 7,083.68 | 47.85 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/30/08 | 01/20/38 | 10,735.39 | 11,785.63 | | | (34.16) | | 10,701.23 | 11,872.33 | 120.86 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 14,204.89 | 15,310.10 | | | (57.16) | | 14,147.73 | 15,384.25 | 131.31 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 8,728.72 | 9,424.37 | | | (31.57) | | 8,697.15 | 9,473.66 | 80.86 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 8,645.70 | 9,318.41 | | | (31.25) | | 8,614.45 | 9,367.39 | 80.23 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/30/08 | 01/20/38 | 5,258.28 | 5,772.72 | | | (16.69) | | 5,241.59 | 5,810.74 | 54.71 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/16/08 | 12/20/37 | 16,329.39 | 17,983.18 | | | (52.66) | | 16,276.73 | 18,109.83 | 179.31 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/16/08 | 12/20/37 | 13,590.33 | 14,712.55 | | | (110.68) | | 13,479.65 | 14,697.00 | 95.13 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/16/08 | 01/20/38 | 65,289.29 | 70,491.72 | | | (261.51) | | 65,027.78 | 70,832.73 | 602.52 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 25,189.01 | 27,148.89 | | | (5,630.63) | | 19,558.38 | 21,267.85 | (250.41) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/13/08 | 01/20/38 | 6,697.67 | 7,231.56 | | | (26.21) | | 6,671.46 | 7,267.20 | 61.85 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/13/08 | 02/20/38 | 12,117.68 | 13,083.65 | | | (60.45) | | 12,057.23 | 13,133.97 | 110.77 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/30/08 | 01/20/38 | 4,487.76 | 4,926.81 | | | (14.22) | | 4,473.54 | 4,932.09 | 19.50 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 4,842.60 | 5,228.55 | | | (17.49) | | 4,825.11 | 5,255.92 | 44.86 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 4,789.89 | 5,171.63 | | | (17.31) | | 4,772.58 | 5,198.70 | 44.38 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/20/38 | 14,140.03 | 15,266.97 | | | (82.95) | | 14,057.08 | 15,312.15 | 128.13 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/13/08 | 01/20/38 | 12,111.03 | 13,296.02 | | | (38.40) | | 12,072.63 | 13,413.52 | 155.90 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/13/08 | 01/20/38 | 17,933.61 | 19,363.16 | | | (65.14) | | 17,868.47 | 19,464.12 | 166.10 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/13/08 | 01/20/38 | 14,801.29 | 15,981.16 | | | (53.65) | | 14,747.64 | 16,064.60 | 137.09 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/08/08 | 03/20/38 | 13,302.25 | 14,363.50 | | | (47.71) | | 13,254.54 | 14,439.05 | 123.26 | 0.00 |
| GNMA | 2007A Single Family | | | | 4,890.18 | 5,280.32 | | | (4,890.18) | | | | (390.14) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 04/08/08 | 04/20/38 | 9,551.71 | 10,486.96 | | | (31.15) | | 9,520.56 | 10,562.32 | 106.51 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/08/08 | 04/20/38 | 12,358.33 | 13,344.33 | | | (63.05) | | 12,295.28 | 13,394.14 | 112.86 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/12/08 | 03/20/38 | 5,344.05 | 5,867.14 | | | (1,373.61) | | 3,970.44 | 4,390.59 | (102.94) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/12/08 | 03/20/38 | 17,791.41 | 19,210.26 | | | (4,389.61) | | 13,401.80 | 14,599.05 | (221.60) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/20/08 | 03/20/38 | 18,387.89 | 19,817.31 | | | (76.56) | | 18,311.33 | 19,910.36 | 169.61 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/19/08 | 01/20/38 | 10,187.55 | 11,184.37 | | | (33.62) | | 10,153.93 | 11,264.90 | 114.15 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/19/08 | 02/20/38 | 12,300.72 | 13,281.37 | | | (46.23) | | 12,254.49 | 13,348.93 | 113.79 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/19/08 | 02/20/38 | 7,230.83 | 7,938.39 | | | (24.10) | | 7,206.73 | 7,992.87 | 78.58 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/19/08 | 02/20/38 | 22,735.08 | 24,547.60 | | | (89.71) | | 22,645.37 | 24,667.83 | 209.94 | 0.00 |
| GNMA | 2007A Single Family | | | | 5,199.84 | 5,614.39 | | | (5,199.84) | | | | (414.55) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/27/08 | 02/20/38 | 8,732.49 | 9,587.10 | | | (28.44) | | 8,704.05 | 9,596.53 | 37.87 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/20/38 | 8,183.33 | 8,835.79 | | | (30.26) | | 8,153.07 | 8,881.27 | 75.74 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/20/38 | 12,028.61 | 12,987.64 | | | (44.59) | | 11,984.02 | 13,054.38 | 111.33 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/20/38 | 6,153.47 | 6,644.10 | | | (22.50) | | 6,130.97 | 6,678.57 | 56.97 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/27/08 | 02/20/38 | 6,722.68 | 7,380.53 | | | (21.24) | | 6,701.44 | 7,388.50 | 29.21 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/20/38 | 13,110.11 | 14,155.40 | | | (77.12) | | 13,032.99 | 14,197.07 | 118.79 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 5.25 | 03/20/08 | 03/20/38 | 4,926.09 | 5,318.99 | | | (17.56) | | 4,908.53 | 5,347.07 | 45.64 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/20/08 | 03/20/38 | 2,040.88 | 2,240.67 | | | (6.47) | | 2,034.41 | 2,253.30 | 19.10 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/27/08 | 03/20/38 | 10,650.06 | 11,499.58 | | | (75.83) | | 10,574.23 | 11,519.09 | 95.34 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/27/08 | 03/20/38 | 13,552.57 | 14,879.36 | | | (45.21) | | 13,507.36 | 14,892.82 | 58.67 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/15/08 | 03/20/38 | 7,993.72 | 8,631.53 | | | (31.01) | | 7,962.71 | 8,674.39 | 73.87 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 04/15/08 | 04/20/38 | 3,405.68 | 3,739.17 | | | (28.48) | | 3,377.20 | 3,755.40 | 44.71 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/24/08 | 04/20/38 | 4,251.39 | 4,590.68 | | | (15.21) | | 4,236.18 | 4,614.87 | 39.40 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 04/22/08 | 04/20/38 | 11,519.74 | 12,647.87 | | | (35.80) | | 11,483.94 | 12,662.20 | 50.13 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 05/07/08 | 04/20/38 | 13,238.58 | 14,535.27 | | | (41.33) | | 13,197.25 | 14,664.30 | 170.36 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/07/08 | 05/20/38 | 52,258.66 | 56,429.81 | | | (2,873.57) | | 49,385.09 | 53,800.39 | 244.15 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/07/08 | 04/20/38 | 9,376.83 | 10,125.24 | | | (33.59) | | 9,343.24 | 10,178.54 | 86.89 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/14/08 | 04/20/38 | 18,555.64 | 20,036.78 | | | (66.19) | | 18,489.45 | 20,142.57 | 171.98 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 05/21/08 | 05/20/38 | 7,787.14 | 8,550.00 | | | (24.26) | | 7,762.88 | 8,623.21 | 97.47 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/21/08 | 05/20/38 | 5,543.07 | 5,985.60 | | | (19.73) | | 5,523.34 | 6,017.26 | 51.39 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/28/08 | 05/20/38 | 9,021.43 | 9,741.67 | | | (32.36) | | 8,989.07 | 9,792.91 | 83.60 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 05/28/08 | 05/20/38 | 9,531.33 | 10,465.18 | | | (37.28) | | 9,494.05 | 10,533.39 | 105.49 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/28/08 | 01/20/38 | 3,137.50 | 3,387.97 | | | (11.47) | | 3,126.03 | 3,405.56 | 29.06 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 06/11/08 | 06/20/38 | 15,371.04 | 16,877.28 | | | (49.72) | | 15,321.32 | 17,025.19 | 197.63 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/11/08 | 05/20/38 | 23,065.18 | 24,907.07 | | | (85.32) | | 22,979.86 | 25,035.26 | 213.51 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/11/08 | 05/20/38 | 11,302.71 | 12,205.30 | | | (44.50) | | 11,258.21 | 12,265.18 | 104.38 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 07/09/08 | 07/20/38 | 35,503.17 | 38,983.41 | | | (861.76) | | 34,641.41 | 38,198.99 | 77.34 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/09/08 | 06/20/38 | 31,599.87 | 34,124.37 | | | (111.02) | | 31,488.85 | 34,306.39 | 293.04 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/09/08 | 06/20/38 | 16,359.57 | 17,666.54 | | | (59.22) | | 16,300.35 | 17,758.87 | 151.55 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/09/08 | 06/20/38 | 6,043.15 | 6,525.92 | | | (21.78) | | 6,021.37 | 6,560.14 | 56.00 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 07/16/08 | 07/20/38 | 5,181.89 | 5,689.87 | | | (44.29) | | 5,137.60 | 5,702.70 | 57.12 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/16/08 | 07/20/38 | 5,567.18 | 6,011.97 | | | (19.77) | | 5,547.41 | 6,043.82 | 51.62 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 06/18/08 | 06/20/38 | 11,460.71 | 12,583.85 | | | (35.67) | | 11,425.04 | 12,598.07 | 49.89 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/18/08 | 06/20/38 | 8,598.71 | 9,285.48 | | | (5,139.31) | | 3,459.40 | 3,768.88 | (377.29) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/18/08 | 06/20/38 | 9,080.22 | 9,805.44 | | | (75.13) | | 9,005.09 | 9,810.66 | 80.35 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 06/18/08 | 06/20/38 | 5,903.11 | 6,481.61 | | | (19.24) | | 5,883.87 | 6,524.69 | 62.32 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 06/25/08 | 06/20/38 | 20,294.20 | 22,283.20 | | | (64.73) | | 20,229.47 | 22,306.62 | 88.15 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/25/08 | 06/20/38 | 18,616.29 | 20,103.28 | | | (66.04) | | 18,550.25 | 20,209.83 | 172.59 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/16/08 | 07/20/38 | 37,428.25 | 40,418.76 | | | (132.11) | | 37,296.14 | 40,633.69 | 347.04 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 07/23/08 | 07/20/38 | 11,422.97 | 12,542.88 | | | (35.57) | | 11,387.40 | 12,636.48 | 129.17 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/23/08 | 07/20/38 | 53,360.37 | 57,624.29 | | | (5,374.52) | | 47,985.85 | 52,280.43 | 30.66 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/23/08 | 07/20/38 | 8,344.94 | 9,011.79 | | | (29.11) | | 8,315.83 | 9,060.10 | 77.42 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 07/29/08 | 07/20/38 | 1,388.15 | 1,524.25 | | | (4.22) | | 1,383.93 | 1,530.13 | 10.10 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/29/08 | 07/20/38 | 24,852.32 | 26,838.39 | | | (5,642.81) | | 19,209.51 | 20,928.81 | (266.77) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/29/08 | 07/20/38 | 12,173.43 | 13,146.26 | | | (42.51) | | 12,130.92 | 13,216.65 | 112.90 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 08/27/08 | 08/20/38 | 2,351.26 | 2,581.86 | | | (7.12) | | 2,344.14 | 2,597.99 | 23.25 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 14,367.96 | 15,516.65 | | | (51.07) | | 14,316.89 | 15,598.79 | 133.21 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 13,467.96 | 14,544.71 | | | (46.70) | | 13,421.26 | 14,622.98 | 124.97 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 08/13/08 | 08/20/38 | 34,776.56 | 38,187.03 | | | (107.13) | | 34,669.43 | 38,231.36 | 151.46 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/13/08 | 08/20/38 | 80,080.69 | 86,481.85 | | | (334.94) | | 79,745.75 | 86,884.75 | 737.84 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/13/08 | 07/20/38 | 48,914.55 | 52,824.37 | | | (5,269.63) | | 43,644.92 | 47,552.00 | (2.74) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 08/13/08 | 08/20/38 | 7,677.04 | 8,429.93 | | | (25.02) | | 7,652.02 | 8,438.19 | 33.28 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/13/08 | 08/20/38 | 13,753.24 | 14,852.58 | | | (48.88) | | 13,704.36 | 14,931.20 | 127.50 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/13/08 | 08/20/38 | 23,676.53 | 25,569.08 | | | (111.64) | | 23,564.89 | 25,674.46 | 217.02 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 08/20/08 | 08/20/38 | 9,837.31 | 10,802.13 | | | (30.65) | | 9,806.66 | 10,814.28 | 42.80 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/20/08 | 08/20/38 | 31,977.41 | 34,533.74 | | | (116.90) | | 31,860.51 | 34,712.98 | 296.14 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/20/08 | 08/20/38 | 8,389.36 | 9,060.02 | | | (29.58) | | 8,359.78 | 9,108.22 | 77.78 | 0.00 |
| GNMA | 2007A Single Family | | | | 3,151.33 | 3,460.43 | | | (3,151.33) | | | | (309.10) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 5,151.01 | 5,562.81 | | | (17.96) | | 5,133.05 | 5,592.64 | 47.79 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 9,159.43 | 9,891.73 | | | (31.71) | | 9,127.72 | 9,945.03 | 85.01 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 08/27/08 | 08/20/38 | 21,752.90 | 23,886.50 | | | (8,507.37) | | 13,245.53 | 14,606.59 | (772.54) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 34,621.96 | 37,324.47 | | | (140.24) | | 34,481.72 | 37,504.29 | 320.06 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/27/08 | 08/20/38 | 10,647.53 | 11,498.79 | | | (59.10) | | 10,588.43 | 11,536.50 | 96.81 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 09/10/08 | 09/20/38 | 18,402.35 | 20,207.67 | | | (3,032.65) | | 15,369.70 | 16,949.30 | (225.72) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/10/08 | 09/20/38 | 56,814.18 | 61,357.47 | | | (201.53) | | 56,612.65 | 61,682.64 | 526.70 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/10/08 | 08/20/38 | 30,501.08 | 32,940.13 | | | (106.53) | | 30,394.55 | 33,116.51 | 282.91 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 5.25 | 09/17/08 | 09/20/38 | 10,484.42 | 11,322.92 | | | (37.34) | | 10,447.08 | 11,382.77 | 97.19 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/17/08 | 08/20/38 | 8,597.15 | 9,284.71 | | | (29.74) | | 8,567.41 | 9,334.74 | 79.77 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/24/08 | 07/20/38 | 4,229.76 | 4,568.05 | | | (14.71) | | 4,215.05 | 4,592.57 | 39.23 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 09/24/08 | 09/20/38 | 10,504.83 | 11,535.55 | | | (31.53) | | 10,473.30 | 11,549.85 | 45.83 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/24/08 | 09/20/38 | 23,825.01 | 25,730.59 | | | (100.68) | | 23,724.33 | 25,849.37 | 219.46 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/24/08 | 08/20/38 | 3,396.53 | 3,668.19 | | | (14.26) | | 3,382.27 | 3,685.22 | 31.29 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/24/08 | 09/20/38 | 5,061.49 | 5,466.30 | | | (18.18) | | 5,043.31 | 5,495.04 | 46.92 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 09/24/08 | 09/20/38 | 16,537.08 | 18,159.67 | | | (5,280.28) | | 11,256.80 | 12,413.90 | (465.49) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/24/08 | 09/20/38 | 26,747.97 | 28,887.35 | | | (113.55) | | 26,634.42 | 29,020.14 | 246.34 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/08/08 | 10/20/38 | 30,610.82 | 33,614.90 | | | (3,858.42) | | 26,752.40 | 29,616.97 | (139.51) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/08/08 | 09/20/38 | 17,492.27 | 18,891.65 | | | (63.62) | | 17,428.65 | 18,990.06 | 162.03 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/15/08 | 09/20/38 | 4,415.59 | 4,848.95 | | | (13.47) | | 4,402.12 | 4,934.38 | 98.90 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/15/08 | 06/20/38 | 3,209.63 | 3,524.60 | | | (9.82) | | 3,199.81 | 3,544.70 | 29.92 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/15/08 | 07/20/38 | 4,647.91 | 5,104.06 | | | (18.15) | | 4,629.76 | 5,105.76 | 19.85 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/22/08 | 10/20/38 | 20,999.01 | 23,060.10 | | | (132.99) | | 20,866.02 | 23,011.53 | 84.42 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/22/08 | 10/20/38 | 26,222.70 | 28,320.96 | | | (91.23) | | 26,131.47 | 28,473.01 | 243.28 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/22/08 | 07/20/38 | 9,436.91 | 10,191.96 | | | (32.85) | | 9,404.06 | 10,246.65 | 87.54 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/22/08 | 09/20/38 | 10,806.71 | 11,671.41 | | | (44.22) | | 10,762.49 | 11,726.85 | 99.66 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/22/08 | 10/20/38 | 18,051.47 | 19,823.30 | | | (83.34) | | 17,968.13 | 19,815.73 | 75.77 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/22/08 | 10/20/38 | 19,662.66 | 21,235.98 | | | (69.46) | | 19,593.20 | 21,348.84 | 182.32 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/22/08 | 08/20/38 | 4,681.12 | 5,055.66 | | | (17.15) | | 4,663.97 | 5,081.86 | 43.35 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/29/08 | 10/20/38 | 13,996.95 | 15,117.04 | | | (4,382.09) | | 9,614.86 | 10,476.48 | (258.47) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/29/08 | 10/20/38 | 14,053.47 | 15,432.99 | | | (46.24) | | 14,007.23 | 15,567.23 | 180.48 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/29/08 | 10/20/38 | 10,792.76 | 11,852.18 | | | (32.34) | | 10,760.42 | 11,866.95 | 47.11 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/29/08 | 10/20/38 | 14,169.91 | 15,303.83 | | | (48.49) | | 14,121.42 | 15,386.88 | 131.54 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/29/08 | 10/20/38 | 8,368.75 | 9,038.47 | | | (28.99) | | 8,339.76 | 9,087.14 | 77.66 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 10/29/08 | 10/20/38 | 11,417.72 | 12,538.47 | | | (61.56) | | 11,356.16 | 12,523.94 | 47.03 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/29/08 | 09/20/38 | 6,986.34 | 7,545.41 | | | (26.60) | | 6,959.74 | 7,583.42 | 64.61 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/12/08 | 11/20/38 | 31,133.15 | 34,189.79 | | | (95.05) | | 31,038.10 | 34,230.41 | 135.67 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/12/08 | 10/20/38 | 9,435.46 | 10,190.67 | | | (33.36) | | 9,402.10 | 10,244.79 | 87.48 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/12/08 | 11/20/38 | 9,801.63 | 10,763.94 | | | (29.09) | | 9,772.54 | 10,777.66 | 42.81 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/19/08 | 08/20/38 | 3,736.82 | 4,035.92 | | | (13.29) | | 3,723.53 | 4,057.26 | 34.63 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/19/08 | 10/20/38 | 15,083.16 | 16,564.09 | | | (46.15) | | 15,037.01 | 16,583.65 | 65.71 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/19/08 | 11/20/38 | 12,261.89 | 13,243.43 | | | (45.82) | | 12,216.07 | 13,311.08 | 113.47 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/19/08 | 10/20/38 | 8,226.44 | 9,034.18 | | | (26.15) | | 8,200.29 | 9,043.77 | 35.74 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/25/08 | 10/20/38 | 2,152.43 | 2,324.74 | | | (7.48) | | 2,144.95 | 2,337.23 | 19.97 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/25/08 | 11/20/38 | 9,571.62 | 10,337.90 | | | (32.96) | | 9,538.66 | 10,393.77 | 88.83 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/25/08 | 11/20/38 | 8,650.31 | 9,499.71 | | | (28.02) | | 8,622.29 | 9,567.22 | 95.53 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/25/08 | 11/20/38 | 13,204.37 | 14,500.97 | | | (39.06) | | 13,165.31 | 14,519.58 | 57.67 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/10/08 | 11/20/38 | 37,458.89 | 41,137.77 | | | (115.39) | | 37,343.50 | 41,185.51 | 163.13 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/10/08 | 11/20/38 | 46,437.86 | 50,156.36 | | | (7,866.93) | | 38,570.93 | 42,029.35 | (260.08) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/10/08 | 11/20/38 | 5,210.79 | 5,628.04 | | | (17.71) | | 5,193.08 | 5,658.72 | 48.39 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/10/08 | 11/20/38 | 14,397.66 | 15,811.69 | | | (45.69) | | 14,351.97 | 15,828.56 | 62.56 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/17/08 | 11/20/38 | 10,045.24 | 11,031.87 | | | (2,806.32) | | 7,238.92 | 7,983.73 | (241.82) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/17/08 | 12/20/38 | 15,266.56 | 16,766.05 | | | (46.43) | | 15,220.13 | 16,786.17 | 66.55 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/17/08 | 12/20/38 | 14,823.89 | 16,279.92 | | | (3,367.41) | | 11,456.48 | 12,635.28 | (277.23) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/17/08 | 11/20/38 | 6,771.57 | 7,436.67 | | | (20.02) | | 6,751.55 | 7,446.22 | 29.57 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/18/09 | 01/20/39 | 2,736.76 | 3,005.92 | | | (8.00) | | 2,728.76 | 3,024.57 | 26.65 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/18/09 | 02/20/39 | 10,299.33 | 11,312.26 | | | (30.08) | | 10,269.25 | 11,321.18 | 39.00 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/25/09 | 02/20/39 | 11,278.65 | 12,183.30 | | | (5,131.60) | | 6,147.05 | 6,699.24 | (352.46) | 0.00 |
| GNMA | 2007A Single Family | 5.49 | 02/25/09 | 01/20/39 | 2,881.77 | 3,129.08 | | | (9.24) | | 2,872.53 | 3,144.43 | 24.59 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/25/09 | 02/20/39 | 39,936.87 | 43,864.94 | | | (141.91) | | 39,794.96 | 43,871.66 | 148.63 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/25/09 | 12/20/38 | 9,764.69 | 10,547.47 | | | (5,064.57) | | 4,700.12 | 5,121.98 | (360.92) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/25/09 | 12/20/38 | 4,707.92 | 5,085.33 | | | (16.39) | | 4,691.53 | 5,112.62 | 43.68 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/25/09 | 02/20/39 | 17,360.71 | 19,068.23 | | | (50.54) | | 17,310.17 | 19,083.44 | 65.75 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/25/09 | 02/20/39 | 2,441.41 | 2,681.51 | | | (7.16) | | 2,434.25 | 2,697.11 | 22.76 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/25/09 | 02/20/39 | 4,480.58 | 4,921.26 | | | (12.99) | | 4,467.59 | 4,925.25 | 16.98 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/11/09 | 02/20/39 | 5,395.18 | 5,827.99 | | | (122.26) | | 5,272.92 | 5,746.64 | 40.91 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/11/09 | 01/20/39 | 4,379.18 | 4,730.48 | | | (14.70) | | 4,364.48 | 4,756.59 | 40.81 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/11/09 | 02/20/39 | 22,682.88 | 24,914.27 | | | (5,213.99) | | 17,468.89 | 19,258.74 | (441.54) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 6.00 | 03/11/09 | 02/20/39 | 3,495.73 | 3,839.59 | | | (11.03) | | 3,484.70 | 3,859.46 | 30.90 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/18/09 | 03/20/39 | 23,252.66 | 25,540.31 | | | (67.23) | | 23,185.43 | 25,561.23 | 88.15 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/25/09 | 12/20/38 | 2,114.54 | 2,284.13 | | | (7.14) | | 2,107.40 | 2,296.62 | 19.63 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/25/09 | 03/20/39 | 2,429.49 | 2,668.54 | | | (6.99) | | 2,422.50 | 2,684.25 | 22.70 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/25/09 | 01/20/39 | 4,454.40 | 4,892.67 | | | (13.02) | | 4,441.38 | 4,896.51 | 16.86 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/25/09 | 02/20/39 | 3,917.99 | 4,303.46 | | | (11.34) | | 3,906.65 | 4,306.95 | 14.83 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 04/08/09 | 10/20/38 | 2,782.39 | 3,056.03 | | | (8.79) | | 2,773.60 | 3,074.34 | 27.10 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/08/09 | 01/20/39 | 2,291.26 | 2,475.14 | | | (7.71) | | 2,283.55 | 2,488.79 | 21.36 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/30/08 | 12/20/38 | 27,604.29 | 29,815.35 | | | (95.86) | | 27,508.43 | 29,975.61 | 256.12 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/30/08 | 12/20/38 | 6,013.27 | 6,603.98 | | | (18.59) | | 5,994.68 | 6,713.81 | 128.42 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/30/08 | 12/20/38 | 19,007.97 | 20,875.26 | | | (59.75) | | 18,948.22 | 20,898.17 | 82.66 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/30/08 | 12/20/38 | 10,890.48 | 11,960.32 | | | (54.65) | | 10,835.83 | 11,950.92 | 45.25 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/30/08 | 12/20/38 | 34,772.58 | 37,557.83 | | | (129.30) | | 34,643.28 | 37,750.38 | 321.85 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/14/09 | 12/20/38 | 6,666.56 | 7,321.58 | | | (19.86) | | 6,646.70 | 7,379.57 | 77.85 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/14/09 | 01/20/39 | 11,903.56 | 12,857.73 | | | (56.67) | | 11,846.89 | 12,910.49 | 109.43 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/14/09 | 12/20/38 | 14,946.52 | 16,143.97 | | | (5,256.64) | | 9,689.88 | 10,559.12 | (328.21) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/14/09 | 01/20/39 | 28,869.43 | 31,707.50 | | | (85.76) | | 28,783.67 | 31,730.92 | 109.18 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/21/09 | 01/20/39 | 23,310.89 | 25,602.68 | | | (3,170.86) | | 20,140.03 | 22,202.35 | (229.47) | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/11/09 | 01/20/39 | 8,676.41 | 9,529.65 | | | (28.14) | | 8,648.27 | 9,534.08 | 32.57 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/11/09 | 01/20/39 | 10,601.47 | 11,451.60 | | | (3,772.81) | | 6,828.66 | 7,441.94 | (236.85) | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/11/09 | 01/20/39 | 13,353.60 | 14,424.42 | | | (48.08) | | 13,305.52 | 14,500.50 | 124.16 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/11/09 | 01/20/39 | 10,370.17 | 11,389.97 | | | (48.32) | | 10,321.85 | 11,379.07 | 37.42 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/11/09 | 01/20/39 | 4,699.13 | 5,075.96 | | | (15.79) | | 4,683.34 | 5,103.95 | 43.78 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/11/09 | 01/20/39 | 6,265.06 | 6,767.46 | | | (21.94) | | 6,243.12 | 6,803.82 | 58.30 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/11/09 | 01/20/39 | 8,307.80 | 9,124.80 | | | (24.26) | | 8,283.54 | 9,131.99 | 31.45 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/11/09 | 01/20/39 | 8,408.49 | 9,082.78 | | | (29.65) | | 8,378.84 | 9,131.36 | 78.23 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 06/24/09 | 06/20/39 | 3,887.76 | 4,270.74 | | | (11.65) | | 3,876.11 | 4,294.76 | 35.67 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/16/09 | 08/20/39 | 6,385.80 | 6,899.54 | | | (23.68) | | 6,362.12 | 6,935.17 | 59.31 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/16/09 | 08/20/39 | 5,128.63 | 5,541.24 | | | (16.54) | | 5,112.09 | 5,572.57 | 47.87 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 09/16/09 | 08/20/39 | 8,690.51 | 9,547.42 | | | (24.20) | | 8,666.31 | 9,556.25 | 33.03 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 09/29/09 | 09/20/39 | 11,317.54 | 12,433.68 | | | (32.42) | | 11,285.12 | 12,444.19 | 42.93 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 09/29/09 | 09/20/39 | 9,225.06 | 9,967.39 | | | (32.68) | | 9,192.38 | 10,020.53 | 85.82 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/15/09 | 09/20/39 | 14,769.47 | 15,958.19 | | | (47.26) | | 14,722.21 | 16,048.81 | 137.88 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 10/29/09 | 10/20/39 | 16,746.99 | 18,095.17 | | | (61.45) | | 16,685.54 | 18,189.36 | 155.64 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/24/09 | 10/20/39 | 7,397.68 | 7,993.43 | | | (26.37) | | 7,371.31 | 8,035.88 | 68.82 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 11/24/09 | 09/20/39 | 5,418.76 | 5,953.52 | | | (14.98) | | 5,403.78 | 5,959.13 | 20.59 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 11/24/09 | 10/20/39 | 9,611.09 | 10,385.11 | | | (30.54) | | 9,580.55 | 10,444.31 | 89.74 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/18/10 | 04/20/40 | 2,753.60 | 2,975.94 | | | (8.42) | | 2,745.18 | 2,993.36 | 25.84 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/18/10 | 04/20/40 | 77,946.36 | 84,240.04 | | | (245.16) | | 77,701.20 | 84,726.13 | 731.25 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 05/25/10 | 05/20/40 | 60,835.60 | 65,748.16 | | | (279.76) | | 60,555.84 | 66,031.19 | 562.79 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/17/09 | 11/20/39 | 6,416.84 | 7,050.28 | | | (17.52) | | 6,399.32 | 7,097.85 | 65.09 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/17/09 | 12/20/39 | 19,224.95 | 20,773.74 | | | (61.68) | | 19,163.27 | 20,891.53 | 179.47 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/17/09 | 11/20/39 | 3,349.78 | 3,619.65 | | | (10.64) | | 3,339.14 | 3,640.29 | 31.28 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 12/29/09 | 12/20/39 | 6,355.84 | 6,867.96 | | | (20.43) | | 6,335.41 | 6,906.86 | 59.33 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 12/29/09 | 12/20/39 | 10,185.34 | 11,190.93 | | | (27.86) | | 10,157.48 | 11,201.84 | 38.77 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/20/10 | 12/20/39 | 19,206.87 | 20,754.97 | | | (60.36) | | 19,146.51 | 20,874.02 | 179.41 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/20/10 | 01/20/40 | 5,626.64 | 6,182.43 | | | (15.27) | | 5,611.37 | 6,223.07 | 55.91 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 01/27/10 | 12/20/39 | 21,128.06 | 22,831.21 | | | (83.97) | | 21,044.09 | 22,943.00 | 195.76 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 01/27/10 | 12/20/39 | 7,397.56 | 8,128.19 | | | (21.42) | | 7,376.14 | 8,134.80 | 28.03 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/17/10 | 01/20/40 | 11,962.91 | 12,927.55 | | | (37.55) | | 11,925.36 | 13,002.22 | 112.22 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/23/10 | 12/20/39 | 9,567.29 | 10,338.81 | | | (30.24) | | 9,537.05 | 10,397.92 | 89.35 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 02/23/10 | 01/20/40 | 3,143.60 | 3,454.24 | | | (8.48) | | 3,135.12 | 3,473.00 | 27.24 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 02/23/10 | 02/20/40 | 35,038.28 | 37,863.87 | | | (109.28) | | 34,929.00 | 38,083.37 | 328.78 | 0.00 |
| GNMA | 2007A Single Family | 6.00 | 03/16/10 | 03/20/40 | 8,964.83 | 9,850.96 | | | (23.94) | | 8,940.89 | 9,921.54 | 94.52 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/17/10 | 03/20/40 | 3,698,037.83 | 3,805,122.48 | | | (13,172.78) | | 3,684,865.05 | 3,827,045.95 | 35,096.25 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/30/10 | 03/20/40 | 84,406.15 | 91,216.43 | | | (288.54) | | 84,117.61 | 91,717.63 | 789.74 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 03/30/10 | 02/20/40 | 2,868.57 | 3,100.02 | | | (12.39) | | 2,856.18 | 3,114.23 | 26.60 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/13/10 | 03/20/40 | 9,285.29 | 10,034.63 | | | (913.89) | | 8,371.40 | 9,127.89 | 7.15 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/13/10 | 04/20/40 | 91,769.18 | 99,175.06 | | | (360.74) | | 91,408.44 | 99,668.80 | 854.48 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/13/10 | 04/20/40 | 22,334.72 | 24,137.15 | | | (81.20) | | 22,253.52 | 24,264.53 | 208.58 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007A Single Family | 5.25 | 04/22/10 | 04/20/40 | 69,523.32 | 75,134.70 | | | (216.62) | | 69,306.70 | 75,570.54 | 652.46 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/22/10 | 04/20/40 | 2,606.41 | 2,816.79 | | | (22.21) | | 2,584.20 | 2,817.75 | 23.17 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 04/28/10 | 04/20/40 | 60,828.86 | 65,738.95 | | | (198.66) | | 60,630.20 | 66,110.28 | 569.99 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/15/10 | 06/20/40 | | | 78,888.64 | | | | 78,888.64 | 86,023.62 | 7,134.98 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/20/10 | 07/20/40 | | | 44,076.10 | | | | 44,076.10 | 48,064.36 | 3,988.26 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/28/10 | 06/20/40 | | | 2,575.72 | | | | 2,575.72 | 2,808.81 | 233.09 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 07/28/10 | 07/20/40 | | | 59,554.22 | | | | 59,554.22 | 64,943.62 | 5,389.40 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/17/10 | 07/20/40 | | | 41,688.29 | | | | 41,688.29 | 45,461.91 | 3,773.62 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 08/24/10 | 08/20/40 | | | 43,686.27 | | | | 43,686.27 | 47,641.08 | 3,954.81 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/29/10 | 04/20/40 | | | 8,331.14 | | | | 8,331.14 | 9,084.78 | 753.64 | 0.00 |
| GNMA | 2007A Single Family | 5.25 | 06/29/10 | 06/20/40 | | | 52,912.90 | | | | 52,912.90 | 57,699.42 | 4,786.52 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 12/11/07 | 12/01/37 | 2,421.26 | 2,645.06 | | | (7.84) | | 2,413.42 | 2,632.87 | (4.35) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/11/07 | 11/01/37 | 11,580.60 | 12,419.51 | | | (4,152.76) | | 7,427.84 | 8,022.94 | (243.81) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/12/07 | 12/01/37 | 69,762.38 | 74,816.23 | | | (6,538.05) | | 63,224.33 | 68,289.66 | 11.48 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/20/07 | 11/01/37 | 4,984.10 | 5,345.17 | | | (18.55) | | 4,965.55 | 5,363.37 | 36.75 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 12/20/07 | 12/01/37 | 7,786.36 | 8,506.01 | | | (4,540.43) | | 3,245.93 | 3,541.05 | (424.53) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/20/07 | 12/01/37 | 16,636.34 | 17,841.59 | | | (61.45) | | 16,574.89 | 17,902.87 | 122.73 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/28/07 | 12/01/37 | 12,407.16 | 13,306.13 | | | (84.80) | | 12,322.36 | 13,309.74 | 88.41 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/28/07 | 12/01/37 | 3,068.47 | 3,290.80 | | | (37.05) | | 3,031.42 | 3,274.32 | 20.57 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 12/28/07 | 12/01/37 | 12,704.79 | 13,625.32 | | | (47.51) | | 12,657.28 | 13,671.50 | 93.69 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 01/16/08 | 12/01/37 | 11,464.35 | 12,547.44 | | | (36.73) | | 11,427.62 | 12,489.80 | (20.91) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 01/16/08 | 12/01/37 | 69,680.32 | 74,868.82 | | | (4,618.10) | | 65,062.22 | 70,405.86 | 155.14 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 01/30/08 | 12/01/37 | 9,286.71 | 9,978.29 | | | (41.80) | | 9,244.91 | 10,004.29 | 67.80 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 01/30/08 | 01/01/38 | 13,639.79 | 14,919.27 | | | (45.56) | | 13,594.23 | 14,857.34 | (16.37) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/01/38 | 17,310.91 | 18,600.17 | | | (86.82) | | 17,224.09 | 18,639.00 | 125.65 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 01/30/08 | 12/01/37 | 5,633.40 | 6,052.91 | | | (20.58) | | 5,612.82 | 6,073.86 | 41.53 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 01/30/08 | 01/01/38 | 4,875.23 | 5,332.57 | | | (16.37) | | 4,858.86 | 5,310.34 | (5.86) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 01/30/08 | 01/01/38 | 8,925.42 | 9,591.78 | | | (32.88) | | 8,892.54 | 9,615.86 | 56.96 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 02/13/08 | 02/01/38 | 12,341.65 | 13,499.54 | | | (45.98) | | 12,295.67 | 13,438.30 | (15.26) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/13/08 | 02/01/38 | 14,371.82 | 15,445.01 | | | (52.28) | | 14,319.54 | 15,484.49 | 91.76 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/13/08 | 01/01/38 | 12,608.22 | 13,549.69 | | | (51.00) | | 12,557.22 | 13,578.76 | 80.07 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/19/08 | 01/01/38 | 7,412.12 | 7,965.68 | | | (27.05) | | 7,385.07 | 7,985.95 | 47.32 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/19/08 | 01/01/38 | 7,411.22 | 7,964.71 | | | (26.90) | | 7,384.32 | 7,985.14 | 47.33 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 02/19/08 | 02/01/38 | 6,993.31 | 7,649.49 | | | (22.18) | | 6,971.13 | 7,619.02 | (8.29) | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 02/27/08 | 02/01/38 | 14,046.85 | 15,364.90 | | | (48.11) | | 13,998.74 | 15,299.82 | (16.97) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/01/38 | 18,143.40 | 19,498.44 | | | (82.73) | | 18,060.67 | 19,530.19 | 114.48 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/27/08 | 01/01/38 | 2,680.56 | 2,880.74 | | | (12.75) | | 2,667.81 | 2,884.86 | 16.87 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 02/27/08 | 02/01/38 | 20,743.79 | 22,293.08 | | | (80.28) | | 20,663.51 | 22,344.86 | 132.06 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 03/20/08 | 03/01/38 | 15,773.15 | 17,253.61 | | | (51.47) | | 15,721.68 | 17,183.33 | (18.81) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 03/20/08 | 01/01/38 | 3,969.25 | 4,265.78 | | | (15.35) | | 3,953.90 | 4,275.69 | 25.26 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 03/20/08 | 02/01/38 | 19,378.13 | 20,822.28 | | | (77.04) | | 19,301.09 | 20,887.55 | 142.31 | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 03/27/08 | 03/01/38 | 15,010.31 | 16,131.82 | | | (96.42) | | 14,913.89 | 16,127.84 | 92.44 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 03/27/08 | 03/01/38 | 13,386.02 | 14,642.48 | | | (43.28) | | 13,342.74 | 14,583.27 | (15.93) | 0.00 |
| FNMA | 2007A Single Family | 5.25 | 04/15/08 | 04/01/38 | 3,824.74 | 4,110.60 | | | (16.37) | | 3,808.37 | 4,118.45 | 24.22 | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 04/29/08 | 04/01/38 | 3,073.35 | 3,361.93 | | | (9.58) | | 3,063.77 | 3,348.73 | (3.62) | 0.00 |
| FNMA | 2007A Single Family | 6.00 | 02/04/09 | 10/01/38 | 1,517.43 | 1,660.33 | | | (4.53) | | 1,512.90 | 1,654.02 | (1.78) | 0.00 |
| | **2007A Single Family Total** | | | | 112,367,803.83 | 120,090,903.67 | 12,594,413.44 | (6,627,310.96) | (4,349,990.32) | 0.00 | 113,984,915.99 | 122,734,384.71 | 1,026,368.88 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2007B Single Family | 0.20 | 08/31/10 | 09/01/10 | 126,161.74 | 126,161.74 | 77,945.26 | | | | 204,107.00 | 204,107.00 | - | 0.00 |
| Repo Agmt | 2007B Single Family | 0.20 | 08/31/10 | 09/01/10 | 957,086.10 | 957,086.10 | 5,478,765.74 | | | | 6,435,851.84 | 6,435,851.84 | - | 0.00 |
| GIC's | 2007B Single Family | 4.52 | 09/20/07 | 08/31/39 | 3,877,571.45 | 3,877,571.45 | | (3,555,298.93) | | | 322,272.52 | 322,272.52 | - | 0.00 |
| Repo Agmt | 2007B Single Family | 0.20 | 08/31/10 | 09/01/10 | 713,741.03 | 713,741.03 | 0.00 | | | | 713,741.03 | 713,741.03 | - | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 12/11/07 | 11/01/37 | 229,829.25 | 244,915.41 | | | (870.04) | | 228,959.21 | 245,759.23 | 1,713.86 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 12/11/07 | 11/01/37 | 163,614.30 | 174,354.09 | | | (603.96) | | 163,010.34 | 174,971.33 | 1,221.20 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 12/20/07 | 12/01/37 | 613,720.72 | 654,011.07 | | | (2,454.63) | | 611,266.09 | 656,123.39 | 4,566.95 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 12/20/07 | 12/01/37 | 126,064.32 | 131,102.79 | | | (464.75) | | 125,599.57 | 130,253.77 | (384.27) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 12/20/07 | 12/01/37 | 444,890.91 | 474,097.71 | | | (1,641.88) | | 443,249.03 | 475,776.52 | 3,320.69 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 01/16/08 | 12/01/37 | 490,725.40 | 522,950.68 | | | (1,934.89) | | 488,790.51 | 524,669.55 | 3,653.76 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 01/16/08 | 12/01/37 | 111,824.74 | 116,283.35 | | | (405.02) | | 111,419.72 | 115,537.91 | (340.42) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 01/16/08 | 12/01/37 | 208,719.93 | 222,426.29 | | | (767.61) | | 207,952.32 | 223,216.80 | 1,558.12 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Freddie Mac | 2007B Single Family | 5.25 | 01/30/08 | 01/01/38 | 410,435.38 | 437,392.96 | | | (1,675.74) | | 408,759.64 | 438,768.97 | 3,051.75 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 01/30/08 | 12/01/37 | 258,559.94 | 275,541.98 | | | (980.63) | | 257,579.31 | 276,489.08 | 1,927.73 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 01/30/08 | 01/01/38 | 102,148.92 | 106,163.59 | | | (369.97) | | 101,778.95 | 105,452.48 | (341.14) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 02/13/08 | 01/01/38 | 161,224.73 | 167,553.27 | | | (899.82) | | 160,324.91 | 166,103.67 | (549.78) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 02/13/08 | 01/01/38 | 210,585.57 | 224,419.20 | | | (770.66) | | 209,814.91 | 225,220.66 | 1,572.12 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 03/20/08 | 02/01/38 | 73,415.19 | 78,239.97 | | | (266.00) | | 73,149.19 | 78,522.25 | 548.28 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 03/20/08 | 03/01/38 | 145,909.82 | 151,616.08 | | | (525.14) | | 145,384.68 | 150,603.80 | (487.14) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 03/20/08 | 11/01/37 | 121,505.12 | 129,489.69 | | | (1,098.86) | | 120,406.26 | 129,249.88 | 859.05 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 04/22/08 | 02/01/38 | 62,077.36 | 64,529.85 | | | (233.66) | | 61,843.70 | 64,107.15 | (189.04) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 04/22/08 | 01/01/38 | 148,503.63 | 158,266.52 | | | (541.40) | | 147,962.23 | 158,833.94 | 1,108.82 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 05/14/08 | 04/01/38 | 275,180.93 | 293,277.39 | | | (992.70) | | 274,188.23 | 294,340.45 | 2,055.76 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 05/15/08 | 04/01/38 | 235,778.98 | 244,950.54 | | | (83,989.36) | | 151,789.62 | 157,207.18 | (3,754.00) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 05/21/08 | 04/01/38 | 326,699.16 | 348,185.36 | | | (1,179.82) | | 325,519.34 | 349,446.09 | 2,440.55 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 05/21/08 | 05/01/38 | 229,412.99 | 244,501.38 | | | (843.40) | | 228,569.59 | 245,370.42 | 1,712.44 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 05/28/08 | 04/01/38 | 249,970.23 | 266,411.50 | | | (909.78) | | 249,060.45 | 267,368.29 | 1,866.57 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 05/28/08 | 05/01/38 | 134,364.45 | 143,202.12 | | | (478.15) | | 133,886.30 | 143,728.24 | 1,004.27 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 06/18/08 | 05/01/38 | 284,757.09 | 295,796.83 | | | (1,226.46) | | 283,530.63 | 293,613.42 | (956.95) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 06/18/08 | 02/01/38 | 79,179.75 | 84,388.65 | | | (383.40) | | 78,796.35 | 84,589.50 | 584.25 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 06/18/08 | 05/01/38 | 141,759.12 | 151,085.47 | | | (504.32) | | 141,254.80 | 151,640.55 | 1,059.40 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 06/25/08 | 05/01/38 | 101,436.98 | 105,367.03 | | | (356.75) | | 101,080.23 | 104,672.25 | (338.03) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 07/16/08 | 06/01/38 | 158,098.80 | 164,211.06 | | | (860.08) | | 157,238.72 | 162,813.43 | (537.55) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 07/16/08 | 06/01/38 | 216,440.80 | 230,685.33 | | | (825.87) | | 215,614.93 | 231,472.88 | 1,613.42 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 07/23/08 | 06/01/38 | 144,465.06 | 150,046.48 | | | (739.94) | | 143,725.12 | 148,817.15 | (489.39) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 08/13/08 | 06/01/38 | 148,949.25 | 154,692.58 | | | (643.93) | | 148,305.32 | 153,548.37 | (500.28) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 08/13/08 | 08/01/38 | 71,447.43 | 74,201.39 | | | (246.89) | | 71,200.54 | 73,716.58 | (237.92) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 08/20/08 | 06/01/38 | 149,372.03 | 155,127.93 | | | (550.21) | | 148,821.82 | 154,079.42 | (498.30) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 08/27/08 | 08/01/38 | 296,550.80 | 307,966.55 | | | (1,044.03) | | 295,506.77 | 305,934.43 | (988.09) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 09/17/08 | 08/01/38 | 212,989.24 | 221,172.14 | | | (1,078.27) | | 211,910.97 | 219,372.94 | (720.93) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 09/17/08 | 08/01/38 | 82,253.28 | 87,670.63 | | | (298.94) | | 81,954.34 | 87,985.95 | 614.26 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 09/24/08 | 08/01/38 | 175,839.42 | 187,421.29 | | | (186.61) | | 175,652.81 | 188,581.34 | 1,346.66 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 09/24/08 | 06/01/38 | 97,574.30 | 101,321.87 | | | (343.36) | | 97,230.94 | 100,653.74 | (324.77) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 09/24/08 | 06/01/38 | 141,303.08 | 150,609.85 | | | (501.59) | | 140,801.49 | 151,164.38 | 1,056.12 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 10/08/08 | 09/01/38 | 110,359.83 | 117,630.13 | | | (1,303.28) | | 109,056.55 | 117,084.72 | 757.87 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 10/15/08 | 09/01/38 | 218,399.51 | 226,766.49 | | | (769.10) | | 217,630.41 | 225,270.14 | (727.25) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 10/22/08 | 07/01/38 | 121,520.02 | 129,526.57 | | | (427.08) | | 121,092.94 | 130,008.08 | 908.59 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 10/22/08 | 07/01/38 | 74,527.08 | 77,381.35 | | | (259.21) | | 74,267.87 | 76,874.24 | (247.90) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 10/22/08 | 09/01/38 | 75,779.07 | 78,680.32 | | | (260.40) | | 75,518.67 | 78,167.82 | (252.10) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 10/22/08 | 08/01/38 | 149,976.09 | 159,857.68 | | | (545.79) | | 149,430.30 | 160,431.85 | 1,119.96 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 11/19/08 | 09/01/38 | 112,416.79 | 119,826.21 | | | (408.20) | | 112,008.59 | 120,257.57 | 839.56 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 12/10/08 | 11/01/38 | 313,506.26 | 334,175.26 | | | (1,288.97) | | 312,217.29 | 335,216.56 | 2,330.27 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 12/17/08 | 11/01/38 | 164,623.28 | 170,890.30 | | | (622.53) | | 164,000.75 | 169,718.35 | (549.42) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 01/14/09 | 11/01/38 | 82,240.37 | 87,664.48 | | | (282.55) | | 81,957.82 | 87,997.33 | 615.40 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 01/14/09 | 11/01/38 | 202,412.60 | 210,097.39 | | | (729.89) | | 201,682.71 | 208,693.54 | (673.96) | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 02/18/09 | 01/01/39 | 131,587.71 | 136,565.30 | | | (674.47) | | 130,913.24 | 135,445.76 | (445.07) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 02/18/09 | 12/01/38 | 112,161.19 | 119,561.84 | | | (382.41) | | 111,778.78 | 120,018.94 | 839.51 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.49 | 02/18/09 | 09/01/38 | 136,093.12 | 139,520.76 | | | (508.61) | | 135,584.51 | 139,305.51 | 293.36 | 0.00 |
| Freddie Mac | 2007B Single Family | 4.75 | 02/18/09 | 10/01/38 | 47,250.25 | 49,312.22 | | | (178.56) | | 47,071.69 | 50,122.83 | 989.17 | 0.00 |
| Freddie Mac | 2007B Single Family | 4.75 | 02/18/09 | 12/01/38 | 68,556.66 | 71,548.55 | | | (269.29) | | 68,287.37 | 72,713.82 | 1,434.56 | 0.00 |
| Freddie Mac | 2007B Single Family | 4.75 | 03/11/09 | 12/01/38 | 81,224.61 | 84,770.56 | | | (303.11) | | 80,921.50 | 86,168.22 | 1,700.77 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 03/25/09 | 02/01/39 | 71,188.05 | 75,880.02 | | | (239.86) | | 70,948.19 | 76,173.30 | 533.14 | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 03/25/09 | 01/01/39 | 80,290.86 | 85,590.77 | | | (1,017.01) | | 79,273.85 | 85,119.94 | 546.18 | 0.00 |
| Freddie Mac | 2007B Single Family | 6.00 | 03/25/09 | 11/01/38 | 51,404.70 | 53,343.04 | | | (307.23) | | 51,097.47 | 52,860.62 | (175.19) | 0.00 |
| Freddie Mac | 2007B Single Family | 5.25 | 03/25/09 | 12/01/38 | 62,593.73 | 66,725.42 | | | (708.41) | | 61,885.32 | 66,449.02 | 432.01 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 10/29/09 | 10/01/39 | 98,474.14 | 105,890.46 | | | (414.54) | | 98,059.60 | 106,107.14 | 631.22 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/28/07 | 12/20/37 | 283,559.18 | 303,609.04 | | | (1,072.91) | | 282,486.27 | 304,651.50 | 2,115.37 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/11/07 | 11/20/37 | 459,827.12 | 483,929.61 | | | (1,731.94) | | 458,095.18 | 482,853.79 | 656.12 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/11/07 | 11/20/37 | 2,039,933.94 | 2,208,286.90 | | | (235,305.67) | | 1,804,628.27 | 1,967,520.65 | (5,460.58) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/11/07 | 11/20/37 | 241,850.09 | 261,809.63 | | | (129,163.17) | | 112,686.92 | 122,858.44 | (9,788.02) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/11/07 | 11/20/37 | 186,515.77 | 196,292.25 | | | (673.64) | | 185,842.13 | 197,023.40 | 1,404.79 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/11/07 | 12/20/37 | 1,942,298.49 | 2,102,600.11 | | | (8,331.61) | | 1,933,966.88 | 2,108,540.24 | 14,271.74 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007B Single Family | 5.25 | 12/11/07 | 11/20/37 | 248,241.98 | 268,729.07 | | | (912.15) | | 247,329.83 | 269,654.75 | 1,837.83 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/20/07 | 12/20/37 | 828,949.89 | 897,372.89 | | | (3,689.33) | | 825,260.56 | 899,762.54 | 6,078.98 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/20/07 | 12/20/37 | 91,220.09 | 95,998.09 | | | (329.38) | | 90,890.71 | 96,238.81 | 570.10 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/20/07 | 12/20/37 | 346,144.89 | 374,716.28 | | | (1,269.52) | | 344,875.37 | 376,009.64 | 2,562.88 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/20/07 | 11/20/37 | 122,299.00 | 132,393.36 | | | (451.10) | | 121,847.90 | 132,847.54 | 905.28 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/20/07 | 12/20/37 | 181,110.28 | 196,059.47 | | | (804.38) | | 180,305.90 | 196,583.40 | 1,328.31 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/30/08 | 01/20/38 | 296,265.76 | 310,759.82 | | | (1,064.30) | | 295,201.46 | 313,045.79 | 3,350.27 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 394,207.52 | 424,879.64 | | | (1,586.34) | | 392,621.18 | 426,937.61 | 3,644.31 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 242,235.80 | 261,541.45 | | | (876.15) | | 241,359.65 | 262,909.16 | 2,243.86 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 239,932.34 | 258,600.75 | | | (867.37) | | 239,064.97 | 259,960.04 | 2,226.66 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/30/08 | 01/20/38 | 145,113.99 | 152,213.31 | | | (519.85) | | 144,594.14 | 153,215.76 | 1,522.30 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/16/08 | 12/20/37 | 450,611.57 | 474,174.68 | | | (1,636.98) | | 448,974.59 | 477,514.19 | 4,976.49 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/16/08 | 12/20/37 | 377,154.58 | 408,296.70 | | | (3,071.42) | | 374,083.16 | 407,865.33 | 2,640.05 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/16/08 | 01/20/38 | 1,811,881.81 | 1,956,257.35 | | | (7,257.33) | | 1,804,624.48 | 1,965,720.72 | 16,720.70 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 699,034.98 | 753,424.79 | | | (156,258.83) | | 542,776.15 | 590,216.60 | (6,949.36) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/13/08 | 01/20/38 | 185,871.20 | 200,687.59 | | | (727.87) | | 185,143.33 | 201,676.54 | 1,716.82 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/13/08 | 02/20/38 | 336,284.65 | 363,092.10 | | | (1,677.32) | | 334,607.33 | 364,488.69 | 3,073.91 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/30/08 | 01/20/38 | 123,849.65 | 129,908.69 | | | (443.27) | | 123,406.38 | 130,047.89 | 582.47 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 134,390.17 | 145,100.79 | | | (485.46) | | 133,904.71 | 145,860.27 | 1,244.94 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 132,926.94 | 143,520.94 | | | (480.14) | | 132,446.80 | 144,272.17 | 1,231.37 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/20/38 | 392,408.48 | 423,682.62 | | | (2,302.12) | | 390,106.36 | 424,936.61 | 3,556.11 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/13/08 | 01/20/38 | 334,248.40 | 350,585.46 | | | (1,196.89) | | 333,051.51 | 353,683.45 | 4,294.88 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/13/08 | 01/20/38 | 497,686.41 | 537,358.61 | | | (1,807.87) | | 495,878.54 | 540,160.21 | 4,609.47 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/13/08 | 01/20/38 | 410,759.55 | 443,502.50 | | | (1,488.90) | | 409,270.65 | 445,818.27 | 3,804.67 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/08/08 | 03/20/38 | 369,158.62 | 398,610.02 | | | (1,324.13) | | 367,834.49 | 400,706.60 | 3,420.71 | 0.00 |
| GNMA | 2007B Single Family | | | | 135,710.32 | 146,537.28 | | | (135,710.32) | | | | (10,826.96) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 04/08/08 | 04/20/38 | 263,681.89 | 276,516.72 | | | (967.10) | | 262,714.79 | 278,503.79 | 2,954.17 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/08/08 | 04/20/38 | 342,964.17 | 370,326.54 | | | (1,749.84) | | 341,214.33 | 371,708.62 | 3,131.92 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/12/08 | 03/20/38 | 147,508.66 | 154,702.77 | | | (37,959.76) | | 109,548.90 | 115,769.71 | (973.30) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/12/08 | 03/20/38 | 493,739.42 | 533,115.32 | | | (121,818.66) | | 371,920.76 | 405,147.00 | (6,149.66) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/20/08 | 03/20/38 | 509,337.52 | 549,961.80 | | | (2,111.67) | | 507,225.85 | 552,544.27 | 4,694.14 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/19/08 | 01/20/38 | 281,168.58 | 294,905.87 | | | (1,043.15) | | 280,125.43 | 297,029.30 | 3,166.58 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/19/08 | 02/20/38 | 341,364.80 | 368,579.45 | | | (1,283.16) | | 340,081.64 | 370,454.12 | 3,157.83 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/19/08 | 02/20/38 | 199,568.24 | 209,317.09 | | | (747.00) | | 198,821.24 | 210,753.64 | 2,183.55 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/19/08 | 02/20/38 | 630,934.99 | 681,235.00 | | | (2,489.55) | | 628,445.44 | 684,571.43 | 5,825.98 | 0.00 |
| GNMA | 2007B Single Family | | | | 144,302.95 | 155,808.50 | | | (144,302.95) | | | | (11,505.55) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/27/08 | 02/20/38 | 241,022.24 | 252,789.73 | | | (883.84) | | 240,138.40 | 253,038.27 | 1,132.38 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/20/38 | 227,100.37 | 245,207.50 | | | (839.87) | | 226,260.50 | 246,469.69 | 2,102.06 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/20/38 | 333,812.32 | 360,427.79 | | | (1,237.39) | | 332,574.93 | 362,279.92 | 3,089.52 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/20/38 | 170,768.67 | 184,384.36 | | | (624.56) | | 170,144.11 | 185,341.07 | 1,581.27 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/27/08 | 02/20/38 | 185,548.47 | 194,607.57 | | | (662.46) | | 184,886.01 | 194,817.82 | 872.71 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/20/38 | 363,826.46 | 392,834.99 | | | (2,140.21) | | 361,686.25 | 393,991.41 | 3,296.63 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/20/08 | 03/20/38 | 136,707.08 | 147,610.70 | | | (487.76) | | 136,219.32 | 148,389.93 | 1,266.99 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/20/08 | 03/20/38 | 56,335.41 | 59,081.42 | | | (201.45) | | 56,133.96 | 59,414.43 | 534.46 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/27/08 | 03/20/38 | 295,556.19 | 319,131.73 | | | (2,104.02) | | 293,452.17 | 319,673.10 | 2,645.39 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/27/08 | 03/20/38 | 374,106.86 | 392,334.11 | | | (1,400.75) | | 372,706.11 | 392,689.01 | 1,755.65 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/15/08 | 03/20/38 | 221,838.74 | 239,538.68 | | | (860.43) | | 220,978.31 | 240,728.08 | 2,049.83 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 04/15/08 | 04/20/38 | 94,018.92 | 98,593.16 | | | (824.39) | | 93,194.53 | 99,021.19 | 1,252.42 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/24/08 | 04/20/38 | 117,983.58 | 127,398.74 | | | (422.03) | | 117,561.55 | 128,070.10 | 1,093.39 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 04/22/08 | 04/20/38 | 318,029.44 | 333,494.83 | | | (1,118.74) | | 316,910.70 | 333,872.71 | 1,496.62 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 05/07/08 | 04/20/38 | 365,505.05 | 383,261.37 | | | (1,290.91) | | 364,214.14 | 386,663.56 | 4,693.10 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/07/08 | 05/20/38 | 1,450,261.55 | 1,566,017.01 | | | (79,746.46) | | 1,370,515.09 | 1,493,046.22 | 6,775.67 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/07/08 | 04/20/38 | 260,222.06 | 280,991.62 | | | (932.30) | | 259,289.76 | 282,470.73 | 2,411.41 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/14/08 | 04/20/38 | 514,948.29 | 556,052.71 | | | (1,836.96) | | 513,111.33 | 558,988.39 | 4,772.64 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 05/21/08 | 05/20/38 | 215,009.93 | 225,443.83 | | | (757.75) | | 214,252.18 | 227,374.14 | 2,688.06 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/21/08 | 05/20/38 | 153,829.50 | 166,110.05 | | | (547.41) | | 153,282.09 | 166,988.65 | 1,426.01 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/28/08 | 05/20/38 | 250,358.05 | 270,346.89 | | | (897.95) | | 249,460.10 | 271,768.89 | 2,319.95 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 05/28/08 | 05/20/38 | 263,177.32 | 275,942.53 | | | (1,137.02) | | 262,040.30 | 277,741.13 | 2,935.62 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/28/08 | 01/20/38 | 87,070.82 | 94,021.79 | | | (318.23) | | 86,752.59 | 94,509.78 | 806.22 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 06/11/08 | 06/20/38 | 424,449.58 | 445,014.82 | | | (1,545.77) | | 422,903.81 | 448,914.75 | 5,445.70 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007B Single Family | 5.25 | 06/11/08 | 05/20/38 | 640,095.07 | 691,210.69 | | | (2,367.71) | | 637,727.36 | 694,768.09 | 5,925.11 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/11/08 | 05/20/38 | 313,668.26 | 338,716.59 | | | (1,235.03) | | 312,433.23 | 340,378.38 | 2,896.82 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 07/09/08 | 07/20/38 | 980,492.71 | 1,027,901.86 | | | (24,191.78) | | 956,300.93 | 1,007,218.40 | 3,508.32 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/09/08 | 06/20/38 | 876,946.19 | 947,005.52 | | | (3,080.99) | | 873,865.20 | 952,056.79 | 8,132.26 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/09/08 | 06/20/38 | 454,004.15 | 490,274.60 | | | (1,643.44) | | 452,360.71 | 492,837.00 | 4,205.84 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/09/08 | 06/20/38 | 167,706.60 | 181,104.69 | | | (604.17) | | 167,102.43 | 182,054.39 | 1,553.87 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 07/16/08 | 07/20/38 | 143,112.32 | 150,028.84 | | | (1,281.41) | | 141,830.91 | 150,367.02 | 1,619.59 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/16/08 | 07/20/38 | 154,497.65 | 166,842.03 | | | (548.56) | | 153,949.09 | 167,725.67 | 1,432.20 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 06/18/08 | 06/20/38 | 316,480.53 | 331,807.14 | | | (1,113.97) | | 315,366.56 | 332,182.07 | 1,488.90 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/18/08 | 06/20/38 | 238,628.63 | 257,686.95 | | | (142,624.01) | | 96,004.62 | 104,592.67 | (10,470.27) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/18/08 | 06/20/38 | 251,991.07 | 272,116.62 | | | (2,084.92) | | 249,906.15 | 272,261.44 | 2,229.74 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 06/18/08 | 06/20/38 | 163,010.80 | 170,905.15 | | | (597.70) | | 162,413.10 | 172,041.07 | 1,733.62 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 06/25/08 | 06/20/38 | 560,428.72 | 587,556.28 | | | (2,016.55) | | 558,412.17 | 588,173.91 | 2,634.18 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/25/08 | 06/20/38 | 516,631.93 | 557,897.81 | | | (1,832.36) | | 514,799.57 | 560,854.79 | 4,789.34 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/16/08 | 07/20/38 | 1,038,693.04 | 1,121,684.59 | | | (3,665.90) | | 1,035,027.14 | 1,127,649.46 | 9,630.77 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 07/23/08 | 07/20/38 | 315,486.49 | 330,726.63 | | | (1,111.26) | | 314,375.23 | 333,194.65 | 3,579.28 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/23/08 | 07/20/38 | 1,480,835.58 | 1,599,165.56 | | | (149,151.77) | | 1,331,683.81 | 1,450,864.95 | 851.16 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/23/08 | 07/20/38 | 231,586.18 | 250,091.65 | | | (807.83) | | 230,778.35 | 251,432.21 | 2,148.39 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 07/29/08 | 07/20/38 | 38,339.83 | 40,191.11 | | | (132.04) | | 38,207.79 | 40,346.23 | 287.16 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/29/08 | 07/20/38 | 689,691.37 | 744,808.23 | | | (156,597.17) | | 533,094.20 | 580,807.85 | (7,403.21) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/29/08 | 07/20/38 | 337,831.91 | 364,829.85 | | | (1,180.14) | | 336,651.77 | 366,783.22 | 3,133.51 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 08/27/08 | 08/20/38 | 64,948.34 | 68,077.84 | | | (223.20) | | 64,725.14 | 68,503.00 | 648.36 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 398,733.35 | 430,611.72 | | | (1,417.38) | | 397,315.97 | 432,891.01 | 3,696.67 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 373,757.44 | 403,639.02 | | | (1,296.11) | | 372,461.33 | 405,810.95 | 3,468.04 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 08/13/08 | 08/20/38 | 960,573.99 | 1,006,903.35 | | | (3,350.60) | | 957,223.39 | 1,008,072.15 | 4,519.40 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/13/08 | 08/20/38 | 2,222,366.44 | 2,400,008.60 | | | (9,295.03) | | 2,213,071.41 | 2,411,189.81 | 20,476.24 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/13/08 | 07/20/38 | 1,357,456.59 | 1,465,960.31 | | | (146,240.64) | | 1,211,215.95 | 1,319,643.70 | (75.97) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 08/13/08 | 08/20/38 | 212,050.53 | 222,277.90 | | | (777.81) | | 211,272.72 | 222,495.75 | 995.66 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/13/08 | 08/20/38 | 381,674.18 | 412,182.85 | | | (1,356.28) | | 380,317.90 | 414,364.68 | 3,538.11 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/13/08 | 08/20/38 | 657,061.28 | 709,582.72 | | | (3,098.15) | | 653,963.13 | 712,507.21 | 6,022.64 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 08/20/08 | 08/20/38 | 271,727.99 | 284,827.33 | | | (958.04) | | 270,769.95 | 285,147.46 | 1,278.17 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/20/08 | 08/20/38 | 887,424.35 | 958,366.34 | | | (3,244.24) | | 884,180.11 | 963,340.45 | 8,218.35 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/20/08 | 08/20/38 | 232,818.15 | 251,429.96 | | | (821.10) | | 231,997.05 | 252,767.66 | 2,158.80 | 0.00 |
| GNMA | 2007B Single Family | | | | 87,049.28 | 91,243.71 | | | (87,049.28) | | | | (4,194.43) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 142,948.35 | 154,376.97 | | | (498.53) | | 142,449.82 | 155,204.58 | 1,326.14 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 254,189.10 | 274,511.28 | | | (879.65) | | 253,309.45 | 275,990.37 | 2,358.74 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 08/27/08 | 08/20/38 | 600,878.68 | 629,831.64 | | | (235,148.10) | | 365,730.58 | 385,141.86 | (9,541.68) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 960,814.22 | 1,035,813.19 | | | (3,891.87) | | 956,922.35 | 1,040,803.68 | 8,882.36 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/27/08 | 08/20/38 | 295,486.05 | 319,109.88 | | | (1,640.01) | | 293,846.04 | 320,156.55 | 2,686.68 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 09/10/08 | 09/20/38 | 508,361.00 | 532,829.29 | | | (83,950.52) | | 424,410.48 | 446,913.75 | (1,965.02) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/10/08 | 09/20/38 | 1,576,683.58 | 1,702,767.28 | | | (5,593.09) | | 1,571,090.49 | 1,711,791.20 | 14,617.01 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/10/08 | 08/20/38 | 846,453.66 | 914,140.77 | | | (2,956.47) | | 843,497.19 | 919,035.67 | 7,851.37 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/17/08 | 09/20/38 | 290,959.52 | 314,229.10 | | | (1,036.11) | | 289,923.41 | 315,890.04 | 2,697.05 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/17/08 | 08/20/38 | 238,585.20 | 257,665.58 | | | (825.47) | | 237,759.73 | 259,053.86 | 2,213.75 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/24/08 | 07/20/38 | 117,382.67 | 126,770.77 | | | (408.62) | | 116,974.05 | 127,451.09 | 1,088.94 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 09/24/08 | 09/20/38 | 290,211.01 | 304,165.87 | | | (989.72) | | 289,221.29 | 304,543.00 | 1,366.85 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/24/08 | 09/20/38 | 661,181.53 | 714,064.78 | | | (2,794.01) | | 658,387.52 | 717,361.01 | 6,090.24 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/24/08 | 08/20/38 | 94,259.32 | 101,798.24 | | | (395.86) | | 93,863.46 | 102,270.74 | 868.36 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/24/08 | 09/20/38 | 140,464.01 | 151,698.76 | | | (504.41) | | 139,959.60 | 152,496.16 | 1,301.81 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 09/24/08 | 09/20/38 | 456,860.23 | 478,828.45 | | | (146,002.33) | | 310,857.90 | 327,325.80 | (5,500.32) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/24/08 | 09/20/38 | 742,298.58 | 801,669.83 | | | (3,151.05) | | 739,147.53 | 805,354.93 | 6,836.15 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/08/08 | 10/20/38 | 845,723.68 | 886,346.83 | | | (106,904.03) | | 738,819.65 | 780,930.67 | 1,487.87 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/08/08 | 09/20/38 | 485,438.66 | 524,273.44 | | | (1,765.65) | | 483,673.01 | 527,004.34 | 4,496.55 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/15/08 | 09/20/38 | 121,997.76 | 127,855.51 | | | (422.03) | | 121,575.73 | 130,108.04 | 2,674.56 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/15/08 | 06/20/38 | 88,676.40 | 92,935.85 | | | (307.44) | | 88,368.96 | 93,465.88 | 837.47 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/15/08 | 07/20/38 | 128,414.94 | 134,582.37 | | | (554.22) | | 127,860.72 | 134,627.18 | 599.03 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/22/08 | 10/20/38 | 580,199.31 | 608,041.38 | | | (3,910.89) | | 576,288.42 | 606,760.87 | 2,630.38 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/22/08 | 10/20/38 | 727,721.87 | 785,951.88 | | | (2,531.51) | | 725,190.36 | 790,171.55 | 6,751.18 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/22/08 | 07/20/38 | 261,889.08 | 282,843.18 | | | (911.54) | | 260,977.54 | 284,360.88 | 2,429.24 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/22/08 | 09/20/38 | 299,903.62 | 323,900.31 | | | (1,227.26) | | 298,676.36 | 325,438.80 | 2,765.75 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007B Single Family | 6.00 | 10/22/08 | 10/20/38 | 498,760.22 | 522,694.23 | | | (2,506.00) | | 496,254.22 | 522,494.65 | 2,306.42 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/22/08 | 10/20/38 | 545,669.49 | 589,332.24 | | | (1,927.60) | | 543,741.89 | 592,464.27 | 5,059.63 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/22/08 | 08/20/38 | 129,908.29 | 140,302.73 | | | (475.71) | | 129,432.58 | 141,029.93 | 1,202.91 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/29/08 | 10/20/38 | 388,437.64 | 419,522.18 | | | (121,610.01) | | 266,827.63 | 290,739.26 | (7,172.91) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/29/08 | 10/20/38 | 388,307.33 | 406,932.01 | | | (1,436.00) | | 386,871.33 | 410,471.62 | 4,975.61 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/29/08 | 10/20/38 | 298,211.06 | 312,514.38 | | | (1,015.10) | | 297,195.96 | 312,903.84 | 1,404.56 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/29/08 | 10/20/38 | 393,237.06 | 424,705.66 | | | (1,345.86) | | 391,891.20 | 427,010.35 | 3,650.55 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/29/08 | 10/20/38 | 232,246.60 | 250,832.00 | | | (804.36) | | 231,442.24 | 252,182.81 | 2,155.17 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 10/29/08 | 10/20/38 | 315,478.89 | 330,610.49 | | | (1,829.23) | | 313,649.66 | 330,227.23 | 1,445.97 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/29/08 | 09/20/38 | 193,882.00 | 209,397.09 | | | (737.93) | | 193,144.07 | 210,452.14 | 1,792.98 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/12/08 | 11/20/38 | 860,287.92 | 901,505.33 | | | (2,978.10) | | 857,309.82 | 902,576.44 | 4,049.21 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/12/08 | 10/20/38 | 261,848.88 | 282,807.50 | | | (926.00) | | 260,922.88 | 284,309.39 | 2,427.89 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/12/08 | 11/20/38 | 270,843.89 | 283,820.32 | | | (914.22) | | 269,929.67 | 284,182.14 | 1,276.04 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/19/08 | 08/20/38 | 103,702.51 | 112,003.43 | | | (368.92) | | 103,333.59 | 112,595.75 | 961.24 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/19/08 | 10/20/38 | 416,794.63 | 436,756.58 | | | (1,445.75) | | 415,348.88 | 437,272.45 | 1,961.62 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/19/08 | 11/20/38 | 340,286.25 | 367,526.41 | | | (1,271.85) | | 339,014.40 | 369,403.61 | 3,149.05 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/19/08 | 10/20/38 | 227,323.08 | 238,210.46 | | | (815.46) | | 226,507.62 | 238,463.45 | 1,068.45 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/25/08 | 10/20/38 | 59,733.43 | 64,515.41 | | | (207.54) | | 59,525.89 | 64,862.06 | 554.19 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/25/08 | 11/20/38 | 265,627.71 | 286,893.11 | | | (914.55) | | 264,713.16 | 288,443.73 | 2,465.17 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/25/08 | 11/20/38 | 239,042.77 | 250,485.18 | | | (871.76) | | 238,171.01 | 252,265.35 | 2,651.93 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/25/08 | 11/20/38 | 364,890.57 | 382,357.02 | | | (1,228.61) | | 363,661.96 | 382,847.69 | 1,719.28 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/10/08 | 11/20/38 | 1,035,205.63 | 1,084,707.25 | | | (3,612.02) | | 1,031,593.61 | 1,085,966.13 | 4,870.90 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/10/08 | 11/20/38 | 1,288,724.46 | 1,391,918.72 | | | (218,319.91) | | 1,070,404.55 | 1,166,381.42 | (7,217.39) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/10/08 | 11/20/38 | 144,607.61 | 156,187.03 | | | (491.17) | | 144,116.44 | 157,038.50 | 1,342.64 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/10/08 | 11/20/38 | 397,891.15 | 416,917.56 | | | (1,425.27) | | 396,465.88 | 417,362.52 | 1,870.23 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/17/08 | 11/20/38 | 277,616.34 | 290,885.00 | | | (77,639.36) | | 199,976.98 | 210,512.58 | (2,733.06) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/17/08 | 12/20/38 | 421,918.55 | 442,081.98 | | | (1,455.65) | | 420,462.90 | 442,612.42 | 1,986.09 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/17/08 | 12/20/38 | 409,684.97 | 429,263.75 | | | (93,194.25) | | 316,490.72 | 333,163.08 | (2,906.42) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/17/08 | 11/20/38 | 187,143.20 | 196,087.67 | | | (629.79) | | 186,513.41 | 196,339.65 | 881.77 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/18/09 | 01/20/39 | 75,656.47 | 79,259.35 | | | (252.06) | | 75,404.41 | 79,751.12 | 743.83 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/18/09 | 02/20/39 | 284,720.71 | 298,278.16 | | | (947.74) | | 283,772.97 | 298,513.49 | 1,183.07 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/25/09 | 02/20/39 | 313,000.72 | 338,105.91 | | | (142,409.91) | | 170,590.81 | 185,914.74 | (9,781.26) | 0.00 |
| GNMA | 2007B Single Family | 5.49 | 02/25/09 | 01/20/39 | 79,667.65 | 82,506.50 | | | (288.34) | | 79,379.31 | 82,911.33 | 693.17 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/25/09 | 02/20/39 | 1,104,069.98 | 1,156,616.42 | | | (4,374.04) | | 1,099,695.94 | 1,156,793.69 | 4,551.31 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/25/09 | 12/20/38 | 270,985.74 | 292,709.14 | | | (140,549.90) | | 130,435.84 | 142,143.06 | (10,016.18) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/25/09 | 12/20/38 | 130,652.31 | 141,125.96 | | | (454.74) | | 130,197.57 | 141,883.39 | 1,212.17 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/25/09 | 02/20/39 | 479,942.84 | 502,784.93 | | | (1,593.40) | | 478,349.44 | 503,185.99 | 1,994.46 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/25/09 | 02/20/39 | 67,493.17 | 70,705.41 | | | (225.74) | | 67,267.43 | 71,116.49 | 636.82 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/25/09 | 02/20/39 | 123,867.00 | 129,762.26 | | | (409.52) | | 123,457.48 | 129,867.57 | 514.83 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/11/09 | 02/20/39 | 149,724.36 | 161,735.93 | | | (3,393.00) | | 146,331.36 | 159,478.53 | 1,135.60 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/11/09 | 01/20/39 | 121,529.00 | 131,278.34 | | | (407.79) | | 121,121.21 | 132,003.11 | 1,132.56 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/11/09 | 02/20/39 | 627,114.71 | 656,931.42 | | | (144,349.73) | | 482,764.98 | 507,808.24 | (4,773.45) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/11/09 | 02/20/39 | 96,646.02 | 101,241.18 | | | (344.20) | | 96,301.82 | 101,764.98 | 868.00 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/18/09 | 03/20/39 | 642,889.54 | 673,438.76 | | | (2,120.85) | | 640,768.69 | 673,990.18 | 2,672.27 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/25/09 | 12/20/38 | 58,682.07 | 63,388.19 | | | (198.32) | | 58,483.75 | 63,734.78 | 544.91 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/25/09 | 03/20/39 | 67,172.75 | 70,363.15 | | | (221.04) | | 66,951.71 | 70,777.37 | 635.26 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/25/09 | 01/20/39 | 123,157.96 | 129,008.38 | | | (410.64) | | 122,747.32 | 129,109.70 | 511.96 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/25/09 | 02/20/39 | 108,326.80 | 113,472.26 | | | (358.24) | | 107,968.56 | 113,564.36 | 450.34 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 04/08/09 | 10/20/38 | 76,932.37 | 80,580.57 | | | (274.92) | | 76,657.45 | 81,063.44 | 757.79 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/08/09 | 01/20/39 | 63,586.03 | 68,689.13 | | | (213.79) | | 63,372.24 | 69,067.81 | 592.47 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/30/08 | 12/20/38 | 766,062.70 | 827,423.37 | | | (2,660.25) | | 763,402.45 | 831,870.75 | 7,107.63 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/30/08 | 12/20/38 | 166,196.55 | 174,131.82 | | | (581.57) | | 165,614.98 | 177,027.67 | 3,477.42 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/30/08 | 12/20/38 | 525,348.69 | 550,432.18 | | | (1,865.90) | | 523,482.79 | 551,036.39 | 2,470.11 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/30/08 | 12/20/38 | 300,994.65 | 315,366.02 | | | (1,633.45) | | 299,361.20 | 315,118.08 | 1,385.51 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/30/08 | 12/20/38 | 964,994.80 | 1,042,289.67 | | | (3,588.64) | | 961,406.16 | 1,047,633.06 | 8,932.03 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/14/09 | 12/20/38 | 184,264.45 | 193,053.08 | | | (624.27) | | 183,640.18 | 194,582.16 | 2,153.35 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/14/09 | 01/20/39 | 330,342.57 | 356,822.49 | | | (1,572.45) | | 328,770.12 | 358,286.78 | 3,036.74 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/14/09 | 12/20/38 | 414,789.61 | 448,020.99 | | | (145,880.01) | | 268,909.60 | 293,032.39 | (9,108.59) | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/14/09 | 01/20/39 | 797,959.62 | 836,053.40 | | | (2,696.35) | | 795,263.27 | 836,670.73 | 3,313.68 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/21/09 | 01/20/39 | 644,338.25 | 675,083.32 | | | (87,874.38) | | 556,463.87 | 585,424.63 | (1,784.31) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2007B Single Family | 6.00 | 02/11/09 | 01/20/39 | 239,847.24 | 251,274.75 | | | (876.03) | | 238,971.21 | 251,391.54 | 992.82 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/11/09 | 01/20/39 | 294,207.50 | 317,800.17 | | | (104,701.50) | | 189,506.00 | 206,525.72 | (6,572.95) | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/11/09 | 01/20/39 | 370,583.42 | 400,300.71 | | | (1,334.06) | | 369,249.36 | 402,411.98 | 3,445.33 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/11/09 | 01/20/39 | 286,668.91 | 300,327.25 | | | (1,453.10) | | 285,215.81 | 300,039.68 | 1,165.53 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/11/09 | 01/20/39 | 130,408.58 | 140,866.10 | | | (438.37) | | 129,970.21 | 141,642.95 | 1,215.22 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/11/09 | 01/20/39 | 173,865.62 | 187,808.00 | | | (608.95) | | 173,256.67 | 188,817.00 | 1,617.95 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/11/09 | 01/20/39 | 229,657.72 | 240,599.76 | | | (764.76) | | 228,892.96 | 240,789.50 | 954.50 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/11/09 | 01/20/39 | 233,349.51 | 252,061.95 | | | (822.93) | | 232,526.58 | 253,410.02 | 2,171.00 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 06/24/09 | 06/20/39 | 107,536.51 | 112,609.64 | | | (366.29) | | 107,170.22 | 113,242.87 | 999.52 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/16/09 | 08/20/39 | 177,216.32 | 191,473.50 | | | (657.31) | | 176,559.01 | 192,462.28 | 1,646.09 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/16/09 | 08/20/39 | 142,327.81 | 153,778.20 | | | (458.86) | | 141,868.95 | 154,647.58 | 1,328.24 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 09/16/09 | 08/20/39 | 240,469.25 | 251,743.48 | | | (767.90) | | 239,701.35 | 251,976.25 | 1,000.67 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 09/29/09 | 09/20/39 | 313,179.10 | 327,847.42 | | | (1,024.89) | | 312,154.21 | 328,124.48 | 1,301.95 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 09/29/09 | 09/20/39 | 256,010.52 | 276,610.96 | | | (907.06) | | 255,103.46 | 278,085.71 | 2,381.81 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/15/09 | 09/20/39 | 409,876.08 | 442,865.25 | | | (1,311.23) | | 408,564.85 | 445,380.10 | 3,826.08 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 10/29/09 | 10/20/39 | 464,756.12 | 502,169.96 | | | (1,705.31) | | 463,050.81 | 504,783.87 | 4,319.22 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/24/09 | 10/20/39 | 205,297.21 | 221,830.35 | | | (731.75) | | 204,565.46 | 223,008.29 | 1,909.69 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 11/24/09 | 09/20/39 | 149,984.63 | 156,980.53 | | | (476.49) | | 149,508.14 | 157,128.56 | 624.52 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 11/24/09 | 10/20/39 | 266,723.43 | 288,203.38 | | | (847.32) | | 265,876.11 | 289,846.44 | 2,490.38 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/18/10 | 04/20/40 | 76,416.94 | 82,587.13 | | | (233.88) | | 76,183.06 | 83,070.74 | 717.49 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/18/10 | 04/20/40 | 2,163,135.16 | 2,337,794.90 | | | (6,803.33) | | 2,156,331.83 | 2,351,284.73 | 20,293.16 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 05/25/10 | 05/20/40 | 1,688,284.56 | 1,824,615.99 | | | (7,763.81) | | 1,680,520.75 | 1,832,470.65 | 15,618.47 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/17/09 | 11/20/39 | 177,629.07 | 185,899.72 | | | (557.69) | | 177,071.38 | 187,154.01 | 1,811.98 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/17/09 | 12/20/39 | 533,522.97 | 576,504.20 | | | (1,711.76) | | 531,811.21 | 579,773.07 | 4,980.63 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/17/09 | 11/20/39 | 92,962.28 | 100,451.42 | | | (295.24) | | 92,667.04 | 101,024.18 | 868.00 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 12/29/09 | 12/20/39 | 176,384.64 | 190,596.89 | | | (567.01) | | 175,817.63 | 191,676.21 | 1,646.33 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 12/29/09 | 12/20/39 | 281,962.62 | 295,078.96 | | | (886.27) | | 281,076.35 | 295,366.61 | 1,173.92 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/20/10 | 12/20/39 | 533,021.14 | 575,983.50 | | | (1,674.61) | | 531,346.53 | 579,287.58 | 4,978.69 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/20/10 | 01/20/40 | 155,779.17 | 163,016.61 | | | (486.12) | | 155,293.05 | 164,088.01 | 1,557.52 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 01/27/10 | 12/20/39 | 586,337.43 | 633,602.29 | | | (2,330.34) | | 584,007.09 | 636,704.63 | 5,432.68 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 01/27/10 | 12/20/39 | 204,814.55 | 214,321.66 | | | (676.92) | | 204,137.63 | 214,495.96 | 851.22 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/17/10 | 01/20/40 | 331,990.04 | 358,760.23 | | | (1,042.11) | | 330,947.93 | 360,832.61 | 3,114.49 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/23/10 | 12/20/39 | 265,507.50 | 286,918.57 | | | (839.29) | | 264,668.21 | 288,558.86 | 2,479.58 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 02/23/10 | 01/20/40 | 87,046.41 | 91,080.29 | | | (270.30) | | 86,776.11 | 91,575.08 | 765.09 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 02/23/10 | 02/20/40 | 972,367.89 | 1,050,782.71 | | | (3,032.59) | | 969,335.30 | 1,056,874.02 | 9,123.90 | 0.00 |
| GNMA | 2007B Single Family | 6.00 | 03/16/10 | 03/20/40 | 248,260.75 | 259,747.03 | | | (764.51) | | 247,496.24 | 261,608.09 | 2,625.57 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/30/10 | 03/20/40 | 2,342,404.61 | 2,531,400.87 | | | (8,007.29) | | 2,334,397.32 | 2,545,309.94 | 21,916.36 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 03/30/10 | 02/20/40 | 79,607.57 | 86,030.68 | | | (344.14) | | 79,263.43 | 86,424.88 | 738.34 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/13/10 | 03/20/40 | 257,681.72 | 278,476.92 | | | (25,362.03) | | 232,319.69 | 253,313.59 | 198.70 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/13/10 | 04/20/40 | 2,546,740.29 | 2,752,265.10 | | | (10,011.13) | | 2,536,729.16 | 2,765,967.25 | 23,713.28 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/13/10 | 04/20/40 | 619,823.84 | 669,844.33 | | | (2,253.08) | | 617,570.76 | 673,379.14 | 5,787.89 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/22/10 | 04/20/40 | 1,929,382.74 | 2,085,107.22 | | | (6,011.77) | | 1,923,370.97 | 2,097,202.56 | 18,107.11 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/22/10 | 04/20/40 | 72,332.42 | 78,170.52 | | | (616.77) | | 71,715.65 | 78,197.22 | 643.47 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 04/28/10 | 04/20/40 | 1,688,097.47 | 1,824,360.24 | | | (5,512.88) | | 1,682,584.59 | 1,834,665.38 | 15,818.02 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/15/10 | 06/20/40 | | | 2,189,285.13 | | | | 2,189,285.13 | 2,387,292.23 | 198,007.10 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/20/10 | 07/20/40 | | | 1,223,181.94 | | | | 1,223,181.94 | 1,333,862.37 | 110,680.43 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/28/10 | 06/20/40 | | | 71,480.39 | | | | 71,480.39 | 77,949.05 | 6,468.66 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 07/28/10 | 07/20/40 | | | 1,652,724.33 | | | | 1,652,724.33 | 1,802,288.60 | 149,564.27 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/17/10 | 07/20/40 | | | 1,156,916.17 | | | | 1,156,916.17 | 1,261,640.08 | 104,723.91 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 08/24/10 | 08/20/40 | | | 1,212,363.35 | | | | 1,212,363.35 | 1,322,115.70 | 109,752.35 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/29/10 | 04/20/40 | | | 231,202.48 | | | | 231,202.48 | 252,117.12 | 20,914.64 | 0.00 |
| GNMA | 2007B Single Family | 5.25 | 06/29/10 | 06/20/40 | | | 1,468,417.13 | | | | 1,468,417.13 | 1,601,250.55 | 132,833.42 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 12/11/07 | 12/01/37 | 66,676.55 | 69,744.14 | | | (241.80) | | 66,434.75 | 69,422.72 | (79.62) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/11/07 | 11/01/37 | 320,786.19 | 344,661.27 | | | (115,028.75) | | 205,757.44 | 222,649.35 | (6,983.17) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/12/07 | 12/01/37 | 1,932,437.78 | 2,076,269.19 | | | (181,077.10) | | 1,751,360.68 | 1,895,146.56 | (45.53) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/20/07 | 11/01/37 | 138,060.56 | 148,337.02 | | | (511.72) | | 137,548.84 | 148,842.15 | 1,016.85 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 12/20/07 | 12/01/37 | 214,425.33 | 224,283.77 | | | (125,072.03) | | 89,353.30 | 93,369.37 | (5,842.37) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/20/07 | 12/01/37 | 460,829.34 | 495,132.40 | | | (1,694.55) | | 459,134.79 | 496,833.06 | 3,395.21 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/28/07 | 12/01/37 | 343,681.23 | 369,266.26 | | | (2,343.29) | | 341,337.94 | 369,366.45 | 2,443.48 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 12/28/07 | 12/01/37 | 84,997.48 | 91,325.04 | | | (1,024.97) | | 83,972.51 | 90,867.81 | 567.74 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2007B Single Family | 5.25 | 12/28/07 | 12/01/37 | 351,925.63 | 378,124.41 | | | (1,310.07) | | 350,615.56 | 379,405.90 | 2,591.56 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 01/16/08 | 12/01/37 | 316,332.38 | 330,847.07 | | | (1,143.06) | | 315,189.32 | 329,327.26 | (376.75) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 01/16/08 | 12/01/37 | 1,933,739.41 | 2,077,728.53 | | | (128,159.50) | | 1,805,579.91 | 1,953,874.34 | 4,305.31 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 01/30/08 | 12/01/37 | 257,719.97 | 276,913.57 | | | (1,160.09) | | 256,559.88 | 277,634.85 | 1,881.37 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 01/30/08 | 01/01/38 | 376,384.48 | 393,386.52 | | | (1,410.68) | | 374,973.80 | 391,753.75 | (222.09) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/01/38 | 480,405.40 | 516,184.42 | | | (2,409.28) | | 477,996.12 | 517,261.84 | 3,486.70 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 01/30/08 | 12/01/37 | 156,335.15 | 167,978.16 | | | (570.91) | | 155,764.24 | 168,559.40 | 1,152.15 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 01/30/08 | 01/01/38 | 134,530.48 | 140,607.45 | | | (506.63) | | 134,023.85 | 140,021.34 | (79.48) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 01/30/08 | 01/01/38 | 247,694.68 | 266,187.14 | | | (912.24) | | 246,782.44 | 266,855.49 | 1,580.59 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 02/13/08 | 11/01/37 | 340,577.13 | 355,951.38 | | | (1,408.53) | | 339,168.60 | 354,336.70 | (206.15) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/13/08 | 02/01/38 | 398,840.74 | 428,623.60 | | | (1,450.94) | | 397,389.80 | 429,719.21 | 2,546.55 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/13/08 | 01/01/38 | 349,898.03 | 376,025.41 | | | (1,415.58) | | 348,482.45 | 376,832.29 | 2,222.46 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/19/08 | 01/01/38 | 205,699.39 | 221,060.33 | | | (750.62) | | 204,948.77 | 221,622.89 | 1,313.18 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/19/08 | 01/01/38 | 205,674.52 | 221,033.60 | | | (746.48) | | 204,928.04 | 221,600.47 | 1,313.35 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 02/19/08 | 02/01/38 | 192,996.19 | 201,699.42 | | | (690.74) | | 192,305.45 | 200,896.13 | (112.55) | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 02/27/08 | 02/01/38 | 387,665.27 | 405,136.65 | | | (1,485.77) | | 386,179.50 | 403,420.82 | (230.06) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/01/38 | 503,507.57 | 541,112.81 | | | (2,295.78) | | 501,211.79 | 541,994.12 | 3,177.09 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/27/08 | 01/01/38 | 74,389.41 | 79,945.16 | | | (353.91) | | 74,035.50 | 80,059.45 | 468.20 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 02/27/08 | 02/01/38 | 575,673.43 | 618,668.48 | | | (2,227.79) | | 573,445.64 | 620,105.47 | 3,664.78 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 03/20/08 | 03/01/38 | 435,353.09 | 454,937.66 | | | (1,597.65) | | 433,755.44 | 453,084.51 | (255.50) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 03/20/08 | 01/01/38 | 110,153.31 | 118,382.32 | | | (426.11) | | 109,727.20 | 118,657.36 | 701.15 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 03/20/08 | 02/01/38 | 537,773.62 | 577,851.47 | | | (2,137.69) | | 535,635.93 | 579,662.88 | 3,949.10 | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 03/27/08 | 03/01/38 | 416,560.18 | 447,683.82 | | | (2,675.72) | | 413,884.46 | 447,573.39 | 2,565.29 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 03/27/08 | 03/01/38 | 369,476.32 | 386,088.45 | | | (1,345.31) | | 368,131.01 | 384,527.18 | (215.96) | 0.00 |
| FNMA | 2007B Single Family | 5.25 | 04/15/08 | 04/01/38 | 106,143.19 | 114,075.82 | | | (454.30) | | 105,688.89 | 114,293.71 | 672.19 | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 04/29/08 | 04/01/38 | 84,842.06 | 88,646.40 | | | (298.82) | | 84,543.24 | 88,298.48 | (49.10) | 0.00 |
| FNMA | 2007B Single Family | 6.00 | 02/04/09 | 10/01/38 | 41,941.47 | 43,779.40 | | | (142.74) | | 41,798.73 | 43,612.88 | (23.78) | 0.00 |
| Repo Agmt | 2007B Single Family | 0.20 | 08/31/10 | 09/01/10 | 13,009,657.02 | 13,009,657.02 | | (9,219,495.25) | | | 3,790,161.77 | 3,790,161.77 | - | 0.00 |
| | **2007B Single Family Total** | | | | 141,297,914.65 | 149,780,033.87 | 14,762,281.92 | (12,774,794.18) | (4,644,558.43) | 0.00 | 138,640,843.96 | 148,563,144.45 | 1,440,181.27 | 0.00 |
| | | | | | | | | | | | | | | |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/09/04 | 12/20/34 | 53,655.82 | 55,800.00 | | | (301.47) | | 53,354.35 | 57,254.45 | 1,755.92 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/16/04 | 12/20/34 | 47,205.17 | 49,091.83 | | | (245.14) | | 46,960.03 | 50,392.97 | 1,546.28 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/01/04 | 10/20/34 | 11,674.72 | 12,178.38 | | | (63.15) | | 11,611.57 | 12,506.59 | 391.36 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/01/04 | 10/20/34 | 20,646.63 | 21,470.43 | | | (119.62) | | 20,527.01 | 22,026.18 | 675.37 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/04/04 | 10/20/34 | 69,380.82 | 72,150.85 | | | (6,427.05) | | 62,953.77 | 67,553.17 | 1,829.37 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/10/04 | 11/20/34 | 19,401.52 | 20,176.31 | | | (119.35) | | 19,282.17 | 20,691.12 | 634.16 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/18/04 | 11/20/34 | 17,170.65 | 17,856.47 | | | (93.20) | | 17,077.45 | 18,325.42 | 562.15 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/23/04 | 11/20/34 | 44,489.17 | 46,266.22 | | | (244.95) | | 44,244.22 | 47,477.58 | 1,456.31 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/02/04 | 12/20/34 | 97,276.85 | 101,163.62 | | | (6,880.97) | | 90,395.88 | 97,003.08 | 2,720.43 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/23/04 | 12/20/34 | 60,351.56 | 62,763.96 | | | (4,984.28) | | 55,367.28 | 59,415.13 | 1,635.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/29/04 | 12/20/34 | 47,076.84 | 48,958.89 | | | (252.42) | | 46,824.42 | 50,247.99 | 1,541.52 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/06/05 | 01/20/35 | 105,044.29 | 109,117.73 | | | (613.37) | | 104,430.92 | 111,933.86 | 3,429.50 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/13/05 | 01/20/35 | 49,230.89 | 51,140.25 | | | (289.39) | | 48,941.50 | 52,458.03 | 1,607.17 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/13/05 | 01/20/35 | 1,889.15 | 2,052.84 | | | (11.18) | | 1,877.97 | 2,052.52 | 10.86 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/19/05 | 01/20/35 | 69,975.92 | 72,690.17 | | | (433.14) | | 69,542.78 | 74,539.79 | 2,282.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/19/05 | 01/20/35 | 9,565.01 | 10,393.81 | | | (42.57) | | 9,522.44 | 10,407.56 | 56.32 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/27/05 | 01/20/35 | 93,839.02 | 97,479.48 | | | (661.96) | | 93,177.06 | 99,872.92 | 3,055.40 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/03/05 | 02/20/35 | 101,661.77 | 105,606.76 | | | (602.27) | | 101,059.50 | 108,322.89 | 3,318.40 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/10/05 | 02/20/35 | 41,425.71 | 43,033.46 | | | (220.10) | | 41,205.61 | 44,167.39 | 1,354.03 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/10/05 | 02/20/35 | 85,245.65 | 88,554.08 | | | (484.26) | | 84,761.39 | 90,853.88 | 2,784.06 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/17/05 | 02/20/35 | 40,583.91 | 42,159.20 | | | (215.04) | | 40,368.87 | 43,270.72 | 1,326.56 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/24/05 | 02/20/35 | 56,657.75 | 58,857.27 | | | (380.55) | | 56,277.20 | 60,322.91 | 1,846.19 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/03/05 | 03/20/35 | 63,565.43 | 66,033.79 | | | (352.33) | | 63,213.10 | 67,758.13 | 2,076.67 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/11/05 | 03/20/35 | 16,430.16 | 17,068.23 | | | (87.56) | | 16,342.60 | 17,517.71 | 537.04 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/17/05 | 03/20/35 | 38,507.12 | 40,002.84 | | | (209.68) | | 38,297.44 | 41,051.46 | 1,258.30 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/24/05 | 03/20/35 | 21,800.47 | 22,647.34 | | | (114.23) | | 21,686.24 | 23,245.81 | 712.70 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/07/05 | 04/20/35 | 42,825.22 | 44,489.53 | | | (269.81) | | 42,555.41 | 45,616.51 | 1,396.79 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/14/05 | 04/20/35 | 24,553.95 | 25,588.81 | | | (132.82) | | 24,421.13 | 26,277.43 | 821.44 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/21/05 | 04/20/35 | 54,650.06 | 56,774.48 | | | (276.77) | | 54,373.29 | 58,285.11 | 1,787.40 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/28/05 | 04/20/35 | 40,682.35 | 42,264.05 | | | (221.38) | | 40,460.97 | 43,372.10 | 1,329.43 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 4.49 | 05/05/05 | 05/20/35 | 71,339.36 | 74,113.63 | | | (6,421.31) | | 64,918.05 | 69,589.52 | 1,897.20 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/12/05 | 05/20/35 | 38,151.38 | 39,635.26 | | | (195.15) | | 37,956.23 | 40,687.78 | 1,247.67 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/07/05 | 07/20/35 | 103,341.81 | 107,366.74 | | | (570.54) | | 102,771.27 | 110,172.83 | 3,376.63 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/14/05 | 07/20/35 | 28,656.07 | 29,772.29 | | | (148.94) | | 28,507.13 | 30,560.35 | 937.00 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/26/05 | 05/20/35 | 45,321.37 | 47,233.17 | | | (232.66) | | 45,088.71 | 48,517.71 | 1,517.20 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/26/05 | 05/20/35 | 13,018.95 | 13,525.42 | | | (7,535.78) | | 5,483.17 | 5,877.79 | (111.85) | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/02/05 | 06/20/35 | 34,748.04 | 36,214.16 | | | (179.68) | | 34,568.36 | 37,197.63 | 1,163.15 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/09/05 | 06/20/35 | 51,693.17 | 53,705.16 | | | (6,290.24) | | 45,402.93 | 48,671.61 | 1,256.69 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/15/05 | 06/20/35 | 45,606.99 | 47,531.72 | | | (230.04) | | 45,376.95 | 48,828.77 | 1,527.09 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/23/05 | 06/20/35 | 70,069.12 | 72,797.06 | | | (525.40) | | 69,543.72 | 74,551.12 | 2,279.46 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/29/05 | 06/20/35 | 33,964.73 | 35,287.23 | | | (171.27) | | 33,793.46 | 36,226.90 | 1,110.94 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/08/05 | 09/20/35 | 9,137.67 | 9,524.07 | | | (45.57) | | 9,092.10 | 9,784.53 | 306.03 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/15/05 | 09/20/35 | 10,877.33 | 11,301.69 | | | (55.30) | | 10,822.03 | 11,602.16 | 355.77 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/22/05 | 09/20/35 | 14,787.99 | 15,364.99 | | | (83.10) | | 14,704.89 | 15,764.99 | 483.10 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/21/05 | 07/20/35 | 18,340.68 | 19,115.34 | | | (90.72) | | 18,249.96 | 19,638.90 | 614.28 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/28/05 | 07/20/35 | 11,902.57 | 12,366.35 | | | (59.41) | | 11,843.16 | 12,696.31 | 389.37 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/04/05 | 08/20/35 | 3,804.67 | 3,965.43 | | | (18.64) | | 3,786.03 | 4,074.24 | 127.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/11/05 | 07/20/35 | 27,560.75 | 28,725.23 | | | (136.49) | | 27,424.26 | 29,511.82 | 923.08 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/18/05 | 08/20/35 | 65,428.01 | 67,978.74 | | | (410.11) | | 65,017.90 | 69,703.01 | 2,134.38 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/30/05 | 08/20/35 | 112,449.96 | 116,834.95 | | | (616.48) | | 111,833.48 | 119,893.15 | 3,674.68 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/29/05 | 07/20/35 | 5,002.83 | 5,214.41 | | | (25.14) | | 4,977.69 | 5,356.80 | 167.53 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/13/05 | 09/20/35 | 9,004.27 | 9,355.75 | | | (46.11) | | 8,958.16 | 9,604.12 | 294.48 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/27/05 | 10/20/35 | 66,477.76 | 69,073.65 | | | (357.47) | | 66,120.29 | 70,889.16 | 2,172.98 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/01/05 | 11/20/35 | 18,253.00 | 19,025.76 | | | (93.29) | | 18,159.71 | 19,543.62 | 611.15 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 11/04/04 | 10/01/34 | 5,683.24 | 5,883.35 | | | (30.03) | | 5,653.21 | 6,011.38 | 158.06 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 12/23/04 | 12/01/34 | 11,519.65 | 11,925.53 | | | (71.73) | | 11,447.92 | 12,173.51 | 319.71 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 01/19/05 | 01/01/35 | 11,484.43 | 11,889.22 | | | (61.19) | | 11,423.24 | 12,147.40 | 319.37 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 01/27/05 | 01/01/35 | 10,531.01 | 10,876.51 | | | (64.48) | | 10,466.53 | 11,103.78 | 291.75 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 03/14/05 | 12/01/34 | 12,542.72 | 12,985.06 | | | (70.70) | | 12,472.02 | 13,262.91 | 348.55 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 04/07/05 | 02/01/35 | 10,753.21 | 11,106.34 | | | (88.76) | | 10,664.45 | 11,314.10 | 296.52 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 07/28/05 | 07/01/35 | 15,530.68 | 16,041.53 | | | (84.56) | | 15,446.12 | 16,387.91 | 430.94 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 09/08/05 | 08/01/35 | 10,807.52 | 11,163.22 | | | (67.11) | | 10,740.41 | 11,395.49 | 299.38 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 10/20/05 | 09/01/35 | 4,664.54 | 4,818.15 | | | (23.31) | | 4,641.23 | 4,924.40 | 129.56 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 11/01/05 | 10/01/35 | 9,288.01 | 9,593.92 | | | (166.50) | | 9,121.51 | 9,678.08 | 250.66 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/01/04 | 06/20/34 | 7,349.85 | 7,994.34 | | | (35.20) | | 7,314.65 | 8,000.60 | 41.46 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 06/01/04 | 06/20/34 | 8,001.74 | 8,703.24 | | | (37.84) | | 7,963.90 | 8,710.56 | 45.16 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/01/04 | 09/20/34 | 11,112.58 | 12,087.83 | | | (53.20) | | 11,059.38 | 12,097.31 | 62.68 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/01/04 | 09/20/34 | 17,272.68 | 18,755.95 | | | (81.79) | | 17,190.89 | 18,771.66 | 97.50 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/01/04 | 09/20/34 | 10,825.29 | 11,775.26 | | | (49.96) | | 10,775.33 | 11,786.53 | 61.23 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/01/04 | 07/20/34 | 2,266.64 | 2,465.46 | | | (11.06) | | 2,255.58 | 2,467.16 | 12.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/01/04 | 07/20/34 | 3,910.19 | 4,253.13 | | | (18.58) | | 3,891.61 | 4,256.61 | 22.06 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/01/04 | 08/20/34 | 4,056.58 | 4,412.48 | | | (19.89) | | 4,036.69 | 4,415.42 | 22.83 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/01/04 | 08/20/34 | 12,321.08 | 13,402.04 | | | (57.62) | | 12,263.46 | 13,414.03 | 69.61 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/01/04 | 08/20/34 | 2,224.79 | 2,419.99 | | | (16.90) | | 2,207.89 | 2,415.05 | 11.96 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 10/14/04 | 10/20/34 | 9,478.53 | 10,292.86 | | | (45.23) | | 9,433.30 | 10,301.11 | 53.48 | 0.00 |
| Repo Agmt | 2002 A-D SF MRB | 0.20 | 08/31/10 | 09/01/10 | 3,696.38 | 3,696.38 | 1.76 | | | | 3,698.14 | 3,698.14 | - | 0.00 |
| Repo Agmt | 2002 A-D SF MRB | 0.20 | 08/31/10 | 09/01/10 | 0.14 | 0.14 | 0.00 | | | | 0.14 | 0.14 | - | 0.00 |
| Repo Agmt | 2002 A-D SF MRB | 0.20 | 08/31/10 | 09/01/10 | 0.96 | 0.96 | 155,004.28 | | | | 155,005.24 | 155,005.24 | - | 0.00 |
| Repo Agmt | 2002 A-D SF MRB | 0.20 | 08/31/10 | 09/01/10 | 18,199.94 | 18,199.94 | 2,735,648.74 | | | | 2,753,848.68 | 2,753,848.68 | - | 0.00 |
| GIC's | 2002 A-D SF MRB | 5.01 | 06/26/02 | 03/01/34 | 1,161,218.76 | 1,161,218.76 | | (1,161,217.09) | | | 1.67 | 1.67 | - | 0.00 |
| GIC's | 2002 A-D SF MRB | 4.51 | 06/26/02 | 08/31/12 | 78,567.61 | 78,567.61 | | (78,567.50) | | | 0.11 | 0.11 | - | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/29/02 | 08/20/32 | 63,014.96 | 68,576.43 | | | (381.99) | | 62,632.97 | 68,561.99 | 367.55 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 11/12/02 | 11/20/32 | 46,819.46 | 52,118.73 | | | (229.75) | | 46,589.71 | 51,766.72 | (122.26) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/12/02 | 10/20/32 | 174,312.60 | 189,708.93 | | | (1,136.16) | | 173,176.44 | 189,581.96 | 1,009.19 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 09/12/02 | 08/20/32 | 59,418.15 | 66,139.24 | | | (300.96) | | 59,117.19 | 65,682.11 | (156.17) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/19/02 | 09/20/32 | 227,121.02 | 247,171.03 | | | (1,338.07) | | 225,782.95 | 247,161.34 | 1,328.38 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 09/26/02 | 09/20/32 | 169,043.06 | 188,167.71 | | | (1,034.96) | | 168,008.10 | 186,668.54 | (464.21) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/26/02 | 09/20/32 | 213,325.52 | 232,158.83 | | | (1,709.32) | | 211,616.20 | 231,654.35 | 1,204.84 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 10/10/02 | 09/20/32 | 107,171.03 | 119,296.85 | | | (594.65) | | 106,576.38 | 118,414.73 | (287.47) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 10/10/02 | 09/20/32 | 65,643.74 | 71,439.71 | | | (352.98) | | 65,290.76 | 71,473.87 | 387.14 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 6.15 | 10/21/02 | 10/20/32 | 172,747.63 | 192,295.82 | | | (9,265.33) | | 163,482.30 | 181,644.23 | (1,386.26) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 10/29/02 | 10/20/32 | 119,631.48 | 133,169.76 | | | (757.35) | | 118,874.13 | 132,081.21 | (331.20) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 10/29/02 | 09/20/32 | 50,576.60 | 55,042.92 | | | (425.96) | | 50,150.64 | 54,900.65 | 283.69 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/05/02 | 09/20/32 | 128,865.86 | 140,246.41 | | | (811.47) | | 128,054.39 | 140,183.70 | 748.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 11/19/02 | 11/20/32 | 76,877.30 | 85,578.99 | | | (366.65) | | 76,510.65 | 85,012.83 | (199.51) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/19/02 | 11/20/32 | 93,261.88 | 101,500.45 | | | (495.96) | | 92,765.92 | 101,555.11 | 550.62 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 11/26/02 | 11/20/32 | 336,907.91 | 375,044.28 | | | (1,805.76) | | 335,102.15 | 372,341.73 | (896.79) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/26/02 | 11/20/32 | 80,902.18 | 88,049.40 | | | (619.76) | | 80,282.42 | 87,889.26 | 459.62 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 11/26/02 | 11/20/32 | 96,041.57 | 106,913.00 | | | (490.28) | | 95,551.29 | 106,169.81 | (252.91) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/26/02 | 11/20/32 | 134,287.64 | 146,151.13 | | | (84,476.97) | | 49,810.67 | 54,530.30 | (7,143.86) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 12/12/02 | 12/20/32 | 98,777.07 | 107,505.23 | | | (590.36) | | 98,186.71 | 107,491.90 | 577.03 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 12/30/02 | 12/20/32 | 59,053.18 | 65,739.62 | | | (314.05) | | 58,739.13 | 65,268.71 | (156.86) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 12/30/02 | 12/20/32 | 192,692.62 | 209,721.92 | | | (1,017.02) | | 191,675.60 | 209,843.35 | 1,138.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 12/30/02 | 12/20/32 | 112,333.68 | 125,052.93 | | | (604.85) | | 111,728.83 | 124,148.85 | (299.23) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 12/30/02 | 12/20/32 | 95,220.09 | 103,635.16 | | | (500.38) | | 94,719.71 | 103,697.54 | 562.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 01/07/03 | 12/20/32 | 56,748.03 | 63,173.86 | | | (290.57) | | 56,457.46 | 62,733.72 | (149.57) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 01/23/03 | 01/20/33 | 371,218.34 | 412,224.20 | | | (2,193.03) | | 369,025.31 | 408,751.40 | (1,279.77) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/23/03 | 01/20/33 | 92,859.19 | 101,042.76 | | | (488.00) | | 92,371.19 | 101,099.89 | 545.13 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 01/23/03 | 01/20/33 | 100,264.43 | 111,339.97 | | | (608.64) | | 99,655.79 | 110,383.92 | (347.41) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/23/03 | 01/20/33 | 96,333.06 | 104,822.71 | | | (502.71) | | 95,830.35 | 104,885.85 | 565.85 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 01/30/03 | 01/20/33 | 97,722.53 | 108,517.79 | | | (606.28) | | 97,116.25 | 107,571.49 | (340.02) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/30/03 | 01/20/33 | 214,298.42 | 233,185.44 | | | (1,197.13) | | 213,101.29 | 233,239.64 | 1,251.33 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 02/12/03 | 02/20/33 | 249,122.52 | 276,647.20 | | | (1,782.90) | | 247,339.62 | 273,971.89 | (892.41) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 02/20/03 | 02/20/33 | 161,065.40 | 178,861.83 | | | (824.83) | | 160,240.57 | 177,495.33 | (541.67) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 03/03/03 | 03/20/33 | 110,372.70 | 120,104.45 | | | (568.79) | | 109,803.91 | 120,184.78 | 649.12 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 02/27/03 | 02/20/33 | 315,934.30 | 350,844.33 | | | (1,490.80) | | 314,443.50 | 348,304.70 | (1,048.83) | 0.00 |
| GNMA | 2002 A-D SF MRB | | | | 100,005.44 | 108,821.45 | | | (100,005.44) | | | | (8,816.01) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 03/12/03 | 02/20/33 | 243,032.30 | 269,888.97 | | | (1,146.55) | | 241,885.75 | 267,935.61 | (806.81) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 03/24/03 | 03/20/33 | 147,505.06 | 163,807.80 | | | (724.18) | | 146,780.88 | 162,590.88 | (492.74) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/02/03 | 04/20/33 | 42,423.55 | 47,112.89 | | | (195.13) | | 42,228.42 | 46,777.45 | (140.31) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/02/03 | 03/20/33 | 93,802.13 | 104,170.11 | | | (434.50) | | 93,367.63 | 103,425.05 | (310.56) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/10/03 | 03/20/33 | 291,916.95 | 324,184.21 | | | (72,482.98) | | 219,433.97 | 243,072.29 | (8,628.94) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/10/03 | 03/20/33 | 66,728.02 | 74,103.88 | | | (381.11) | | 66,346.91 | 73,494.09 | (228.68) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/17/03 | 04/20/33 | 51,120.48 | 56,771.71 | | | (240.06) | | 50,880.42 | 56,362.10 | (169.55) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/24/03 | 04/20/33 | 106,456.48 | 118,225.64 | | | (493.13) | | 105,963.35 | 117,380.05 | (352.46) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/29/03 | 03/20/33 | 82,832.78 | 91,989.97 | | | (399.20) | | 82,433.58 | 91,314.87 | (275.90) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 05/08/03 | 04/20/33 | 48,468.66 | 53,827.61 | | | (239.01) | | 48,229.65 | 53,426.56 | (162.04) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 05/08/03 | 04/20/33 | 79,320.68 | 88,090.74 | | | (379.97) | | 78,940.71 | 87,446.80 | (263.97) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 06/19/03 | 05/20/33 | 38,651.08 | 42,926.03 | | | (176.88) | | 38,474.20 | 42,621.40 | (127.75) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 07/17/03 | 07/20/33 | 48,956.41 | 54,372.88 | | | (229.89) | | 48,726.52 | 53,980.54 | (162.45) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 07/24/03 | 07/20/33 | 82,461.28 | 91,585.18 | | | (438.41) | | 82,022.87 | 90,867.61 | (279.16) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 07/30/03 | 07/20/33 | 45,842.28 | 50,914.67 | | | (207.15) | | 45,635.13 | 50,556.26 | (151.26) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 09/30/03 | 09/20/33 | 156,896.76 | 174,266.87 | | | (100,897.42) | | 55,999.34 | 62,041.64 | (11,327.81) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 10/09/03 | 08/20/33 | 54,950.64 | 61,034.28 | | | (247.95) | | 54,702.69 | 60,604.99 | (181.34) | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 03/11/04 | 03/20/34 | 59,926.71 | 66,410.57 | | | (254.97) | | 59,671.74 | 65,990.85 | (164.75) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/08/04 | 06/20/34 | 176,054.49 | 191,494.10 | | | (842.99) | | 175,211.50 | 191,643.87 | 992.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 6.15 | 04/01/04 | 04/20/34 | 37,750.31 | 41,835.62 | | | (164.45) | | 37,585.86 | 41,567.02 | (104.15) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 06/17/04 | 06/20/34 | 191,668.93 | 208,474.71 | | | (906.51) | | 190,762.42 | 208,650.05 | 1,081.85 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/02/04 | 09/20/34 | 266,187.65 | 289,548.06 | | | (1,274.04) | | 264,913.61 | 289,775.10 | 1,501.08 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/09/04 | 09/20/34 | 413,742.13 | 449,274.20 | | | (1,958.65) | | 411,783.48 | 449,650.35 | 2,334.80 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/16/04 | 09/20/34 | 259,302.00 | 282,061.00 | | | (1,196.41) | | 258,105.59 | 282,331.03 | 1,466.44 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/15/04 | 07/20/34 | 54,294.78 | 59,056.94 | | | (264.86) | | 54,029.92 | 59,097.80 | 305.72 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/29/04 | 07/20/34 | 93,662.13 | 101,878.12 | | | (445.14) | | 93,216.99 | 101,961.45 | 528.47 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/05/04 | 08/20/34 | 97,170.41 | 105,695.36 | | | (476.63) | | 96,693.78 | 105,765.61 | 546.88 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/12/04 | 08/20/34 | 295,133.96 | 321,028.20 | | | (1,379.96) | | 293,754.00 | 321,315.60 | 1,667.36 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 08/20/04 | 08/20/34 | 53,291.89 | 57,967.85 | | | (404.95) | | 52,886.94 | 57,849.41 | 286.51 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 12/02/04 | 12/20/34 | 97,666.53 | 106,246.35 | | | (456.56) | | 97,209.97 | 106,341.57 | 551.78 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/09/04 | 12/20/34 | 982,952.59 | 1,022,232.97 | | | (5,522.76) | | 977,429.83 | 1,048,877.81 | 32,167.60 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/16/04 | 12/20/34 | 864,779.65 | 899,342.20 | | | (4,491.01) | | 860,288.64 | 923,178.53 | 28,327.34 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 10/14/04 | 10/20/34 | 227,045.96 | 246,552.06 | | | (1,083.12) | | 225,962.84 | 246,749.67 | 1,280.73 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 5.40 | 10/21/04 | 10/20/34 | 1,156,927.26 | 1,258,508.95 | | | (6,134.30) | | 1,150,792.96 | 1,258,843.98 | 6,469.33 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/21/04 | 10/20/34 | 213,872.41 | 223,102.98 | | | (1,157.31) | | 212,715.10 | 229,115.65 | 7,169.98 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 10/28/04 | 10/20/34 | 242,105.32 | 262,908.13 | | | (1,160.96) | | 240,944.36 | 263,112.04 | 1,364.87 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/29/04 | 10/20/34 | 378,230.53 | 393,329.40 | | | (2,191.27) | | 376,039.26 | 403,510.66 | 12,372.53 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/04/04 | 10/20/34 | 1,271,028.21 | 1,321,773.92 | | | (117,740.95) | | 1,153,287.26 | 1,237,546.38 | 33,513.41 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/04/04 | 11/20/34 | 332,434.03 | 361,628.56 | | | (101,095.21) | | 231,338.82 | 253,063.65 | (7,469.70) | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/10/04 | 11/20/34 | 355,427.96 | 369,621.72 | | | (2,186.34) | | 353,241.62 | 379,052.83 | 11,617.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 11/10/04 | 11/20/34 | 64,263.17 | 69,907.14 | | | (290.71) | | 63,972.46 | 69,980.40 | 363.97 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/18/04 | 11/20/34 | 314,559.56 | 327,123.27 | | | (1,707.30) | | 312,852.26 | 335,714.31 | 10,298.34 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/23/04 | 11/20/34 | 815,023.00 | 847,578.11 | | | (4,487.63) | | 810,535.37 | 869,769.72 | 26,679.24 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/02/04 | 12/20/34 | 1,782,070.83 | 1,853,275.93 | | | (126,056.44) | | 1,656,014.39 | 1,777,056.47 | 49,836.98 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/23/04 | 12/20/34 | 1,105,616.17 | 1,149,809.97 | | | (91,309.99) | | 1,014,306.18 | 1,088,460.71 | 29,960.73 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 12/29/04 | 12/20/34 | 862,429.13 | 896,906.76 | | | (4,624.10) | | 857,805.03 | 920,522.64 | 28,239.98 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/06/05 | 01/20/35 | 1,924,368.42 | 1,998,991.88 | | | (11,236.65) | | 1,913,131.77 | 2,050,582.26 | 62,827.03 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/06/05 | 01/20/35 | 419,453.82 | 455,795.72 | | | (1,969.22) | | 417,484.60 | 456,286.83 | 2,460.33 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/13/05 | 01/20/35 | 901,890.19 | 936,868.51 | | | (5,301.45) | | 896,588.74 | 961,009.68 | 29,442.62 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/13/05 | 01/20/35 | 34,608.60 | 37,607.32 | | | (204.89) | | 34,403.71 | 37,601.48 | 199.05 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/19/05 | 01/20/35 | 1,281,929.82 | 1,331,654.11 | | | (7,935.04) | | 1,273,994.78 | 1,365,538.34 | 41,819.27 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 01/19/05 | 01/20/35 | 175,226.75 | 190,410.48 | | | (779.75) | | 174,447.00 | 190,662.33 | 1,031.60 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 01/27/05 | 01/20/35 | 1,719,091.90 | 1,785,783.92 | | | (12,127.07) | | 1,706,964.83 | 1,829,630.78 | 55,973.93 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/03/05 | 02/20/35 | 1,862,401.21 | 1,934,672.36 | | | (11,033.54) | | 1,851,367.67 | 1,984,430.64 | 60,791.82 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/10/05 | 02/20/35 | 758,901.97 | 788,355.40 | | | (4,032.10) | | 754,869.87 | 809,128.56 | 24,805.26 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/10/05 | 02/20/35 | 1,561,665.04 | 1,622,274.20 | | | (8,871.38) | | 1,552,793.66 | 1,664,405.68 | 51,002.86 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 02/17/05 | 11/20/34 | 97,671.48 | 106,257.18 | | | (441.72) | | 97,229.76 | 106,368.68 | 553.22 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/17/05 | 02/20/35 | 743,480.45 | 772,339.25 | | | (3,939.47) | | 739,540.98 | 792,701.85 | 24,302.07 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 02/24/05 | 02/20/35 | 1,037,946.84 | 1,078,241.04 | | | (6,971.64) | | 1,030,975.20 | 1,105,091.00 | 33,821.60 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/03/05 | 03/20/35 | 1,164,492.96 | 1,209,712.05 | | | (6,454.48) | | 1,158,038.48 | 1,241,301.26 | 38,043.69 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/11/05 | 03/20/35 | 300,993.48 | 312,683.10 | | | (1,604.20) | | 299,389.28 | 320,917.25 | 9,838.35 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 03/17/05 | 02/20/35 | 118,258.01 | 128,511.36 | | | (554.38) | | 117,703.63 | 128,650.45 | 693.47 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/17/05 | 03/20/35 | 705,435.15 | 732,835.67 | | | (3,841.33) | | 701,593.82 | 752,045.85 | 23,051.51 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 03/24/05 | 03/20/35 | 399,375.33 | 414,889.98 | | | (2,092.53) | | 397,282.80 | 425,853.80 | 13,056.35 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/07/05 | 04/20/35 | 784,540.24 | 815,029.80 | | | (4,942.75) | | 779,597.49 | 835,675.67 | 25,588.62 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/14/05 | 04/20/35 | 449,818.99 | 468,776.46 | | | (2,433.18) | | 447,385.81 | 481,391.69 | 15,048.41 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 04/21/05 | 04/20/35 | 100,245.16 | 108,751.47 | | | (446.08) | | 99,799.08 | 108,895.54 | 590.15 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/21/05 | 04/20/35 | 1,001,166.25 | 1,040,085.00 | | | (5,070.32) | | 996,095.93 | 1,067,759.14 | 32,744.46 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 04/28/05 | 04/20/35 | 745,283.69 | 774,260.09 | | | (4,055.59) | | 741,228.10 | 794,559.08 | 24,354.58 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 04/28/05 | 04/20/35 | 124,699.45 | 135,516.76 | | | (555.73) | | 124,143.72 | 135,695.08 | 734.05 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/05/05 | 05/20/35 | 1,306,906.81 | 1,357,731.32 | | | (117,635.79) | | 1,189,271.02 | 1,274,851.39 | 34,755.86 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 05/05/05 | 04/20/35 | 102,827.89 | 111,554.60 | | | (481.25) | | 102,346.64 | 111,676.43 | 603.08 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/12/05 | 05/20/35 | 698,917.76 | 726,101.69 | | | (3,575.20) | | 695,342.56 | 745,383.36 | 22,856.87 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/07/05 | 07/20/35 | 1,893,179.26 | 1,966,914.40 | | | (10,452.00) | | 1,882,727.26 | 2,018,320.82 | 61,858.42 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 07/07/05 | 07/20/35 | 41,211.14 | 44,789.04 | | | (223.43) | | 40,987.71 | 44,804.51 | 238.90 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/14/05 | 07/20/35 | 524,967.07 | 545,416.18 | | | (2,728.37) | | 522,238.70 | 559,853.08 | 17,165.27 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/26/05 | 05/20/35 | 830,269.55 | 865,292.41 | | | (4,262.21) | | 826,007.34 | 888,824.58 | 27,794.38 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 05/26/05 | 05/20/35 | 72,587.97 | 78,886.74 | | | (318.94) | | 72,269.03 | 78,995.53 | 427.73 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 05/26/05 | 05/20/34 | 238,514.61 | 247,780.24 | | | (138,059.85) | | 100,454.76 | 107,678.74 | (2,041.65) | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/02/05 | 06/20/35 | 636,569.77 | 663,428.59 | | | (3,291.65) | | 633,278.12 | 681,445.34 | 21,308.40 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 06/09/05 | 05/20/35 | 70,462.74 | 76,577.91 | | | (321.54) | | 70,141.20 | 76,670.47 | 414.10 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/09/05 | 06/20/35 | 946,997.77 | 983,856.44 | | | (115,234.72) | | 831,763.05 | 891,643.95 | 23,022.23 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/15/05 | 06/20/35 | 835,501.39 | 870,761.64 | | | (4,214.32) | | 831,287.07 | 894,523.01 | 27,975.69 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/23/05 | 06/20/35 | 1,283,637.47 | 1,333,612.18 | | | (9,625.03) | | 1,274,012.44 | 1,365,745.89 | 41,758.74 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 06/29/05 | 06/20/35 | 622,220.02 | 646,447.62 | | | (3,137.53) | | 619,082.49 | 663,661.99 | 20,351.90 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/08/05 | 09/20/35 | 167,398.99 | 174,477.14 | | | (834.76) | | 166,564.23 | 179,248.61 | 5,606.23 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.40 | 09/08/05 | 08/20/35 | 55,935.34 | 60,794.69 | | | (255.34) | | 55,680.00 | 60,868.08 | 328.73 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/15/05 | 09/20/35 | 199,268.52 | 207,042.33 | | | (1,013.03) | | 198,255.49 | 212,546.88 | 6,517.58 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/22/05 | 09/20/35 | 270,910.33 | 281,480.42 | | | (1,522.47) | | 269,387.86 | 288,808.32 | 8,850.37 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/21/05 | 07/20/35 | 335,994.46 | 350,185.23 | | | (1,661.96) | | 334,332.50 | 359,776.76 | 11,253.49 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 07/28/05 | 07/20/35 | 218,050.31 | 226,546.51 | | | (1,088.24) | | 216,962.07 | 232,591.34 | 7,133.07 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/04/05 | 08/20/35 | 69,700.16 | 72,645.05 | | | (341.35) | | 69,358.81 | 74,638.46 | 2,334.76 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/11/05 | 07/20/35 | 504,901.45 | 526,234.46 | | | (2,500.32) | | 502,401.13 | 540,644.32 | 16,910.18 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 4.49 | 08/18/05 | 08/20/35 | 1,198,614.08 | 1,245,342.68 | | | (7,512.81) | | 1,191,101.27 | 1,276,930.46 | 39,100.59 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 08/30/05 | 08/20/35 | 2,060,037.03 | 2,140,368.09 | | | (11,293.63) | | 2,048,743.40 | 2,196,393.07 | 67,318.61 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 09/29/05 | 07/20/35 | 91,650.06 | 95,525.96 | | | (460.57) | | 91,189.49 | 98,134.53 | 3,069.14 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/13/05 | 09/20/35 | 164,954.86 | 171,393.62 | | | (844.90) | | 164,109.96 | 175,943.63 | 5,394.91 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 10/27/05 | 10/20/35 | 1,217,844.58 | 1,265,400.78 | | | (6,548.75) | | 1,211,295.83 | 1,298,660.15 | 39,808.12 | 0.00 |
| GNMA | 2002 A-D SF MRB | 4.49 | 11/01/05 | 11/20/35 | 334,387.90 | 348,544.15 | | | (1,709.08) | | 332,678.82 | 358,031.13 | 11,196.06 | 0.00 |
| FNMA | 2002 A-D SF MRB | 6.40 | 07/24/03 | 11/01/32 | 72,443.64 | 80,182.79 | | | (406.83) | | 72,036.81 | 79,848.48 | 72.52 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.40 | 08/14/03 | 09/01/32 | 53,413.86 | 57,290.80 | | | (324.99) | | 53,088.87 | 57,484.41 | 518.60 | 0.00 |
| FNMA | 2002 A-D SF MRB | 6.15 | 08/14/03 | 12/01/31 | 50,841.90 | 56,177.16 | | | (1,019.87) | | 49,822.03 | 55,222.45 | 65.16 | 0.00 |
| FNMA | 2002 A-D SF MRB | 6.40 | 08/28/03 | 11/01/32 | 43,434.06 | 48,074.12 | | | (245.44) | | 43,188.62 | 47,871.99 | 43.31 | 0.00 |
| FNMA | 2002 A-D SF MRB | 6.15 | 04/01/04 | 02/01/34 | 97,798.63 | 107,427.88 | | | (422.85) | | 97,375.78 | 106,987.45 | (17.58) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.40 | 10/28/04 | 10/01/34 | 286,121.57 | 306,607.74 | | | (1,468.36) | | 284,653.21 | 307,748.00 | 2,608.62 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 11/04/04 | 10/01/34 | 104,114.63 | 107,780.61 | | | (550.20) | | 103,564.43 | 110,126.00 | 2,895.59 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 12/23/04 | 12/01/34 | 211,035.16 | 218,470.97 | | | (1,313.85) | | 209,721.31 | 223,013.83 | 5,856.71 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 01/19/05 | 01/01/35 | 210,390.00 | 217,805.67 | | | (1,120.98) | | 209,269.02 | 222,535.51 | 5,850.82 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 01/27/05 | 01/01/35 | 192,923.22 | 199,253.23 | | | (1,181.35) | | 191,741.87 | 203,416.69 | 5,344.81 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 03/14/05 | 12/01/34 | 229,778.03 | 237,881.14 | | | (1,295.23) | | 228,482.80 | 242,971.26 | 6,385.35 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.40 | 03/24/05 | 02/01/35 | 79,891.67 | 85,617.24 | | | (359.62) | | 79,532.05 | 85,990.12 | 732.50 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 04/07/05 | 02/01/35 | 196,994.58 | 203,463.67 | | | (1,626.13) | | 195,368.45 | 207,269.68 | 5,432.14 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 07/28/05 | 07/01/35 | 284,515.86 | 293,874.42 | | | (1,549.16) | | 282,966.70 | 300,219.82 | 7,894.56 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.40 | 07/14/05 | 04/01/35 | 106,114.61 | 113,525.33 | | | (472.48) | | 105,642.13 | 113,946.51 | 893.66 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 09/08/05 | 08/01/35 | 197,989.67 | 204,505.63 | | | (1,229.38) | | 196,760.29 | 208,760.80 | 5,484.55 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 10/20/05 | 09/01/35 | 85,452.67 | 88,266.56 | | | (427.07) | | 85,025.60 | 90,212.99 | 2,373.50 | 0.00 |
| FNMA | 2002 A-D SF MRB | 4.49 | 11/01/05 | 10/01/35 | 170,152.71 | 175,756.76 | | | (3,050.09) | | 167,102.62 | 177,298.56 | 4,591.89 | 0.00 |
| Repo Agmt | 2002 A-D SF MRB | 0.20 | 08/31/10 | 09/01/10 | 398,085.96 | 398,085.96 | | (398,066.28) | | | 19.68 | 19.68 | - | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.38 | 05/21/08 | 04/01/38 | 2,406.76 | 2,575.43 | | | (8.63) | | 2,398.13 | 2,577.79 | 10.99 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.38 | 06/18/08 | 04/01/38 | 4,822.47 | 5,160.52 | | | (17.78) | | 4,804.69 | 5,164.72 | 21.98 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.63 | 06/18/08 | 03/01/38 | 1,973.67 | 2,127.61 | | | (8.79) | | 1,964.88 | 2,119.00 | 0.18 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 06/25/08 | 12/01/37 | 2,590.96 | 2,749.26 | | | (9.72) | | 2,581.24 | 2,767.06 | 27.52 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 07/16/08 | 06/01/38 | 3,895.65 | 4,133.76 | | | (17.82) | | 3,877.83 | 4,157.09 | 41.15 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.63 | 07/16/08 | 05/01/38 | 1,572.16 | 1,694.63 | | | (5.25) | | 1,566.91 | 1,689.53 | 0.15 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.38 | 07/23/08 | 03/01/38 | 1,738.58 | 1,860.52 | | | (5.89) | | 1,732.69 | 1,862.58 | 7.95 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.38 | 08/13/08 | 07/01/38 | 2,679.14 | 2,867.08 | | | (9.25) | | 2,669.89 | 2,870.08 | 12.25 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.38 | 08/13/08 | 07/01/38 | 1,357.41 | 1,452.61 | | | (83.16) | | 1,274.25 | 1,369.78 | 0.33 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.63 | 09/24/08 | 07/01/38 | 2,563.75 | 2,763.61 | | | (8.43) | | 2,555.32 | 2,755.45 | 0.27 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 10/22/08 | 03/01/38 | 3,714.81 | 3,942.14 | | | (13.68) | | 3,701.13 | 3,967.93 | 39.47 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 11/19/08 | 10/01/38 | 3,364.78 | 3,570.78 | | | (12.13) | | 3,352.65 | 3,594.43 | 35.78 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 11/25/08 | 10/01/38 | 2,683.99 | 2,848.33 | | | (10.91) | | 2,673.08 | 2,865.86 | 28.44 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.25 | 12/18/08 | 09/01/38 | 4,049.81 | 4,316.82 | | | (35.73) | | 4,014.08 | 4,309.79 | 28.70 | 0.00 |
| Freddie Mac | 2002 A-D SF MRB | 5.13 | 12/30/08 | 12/01/38 | 2,942.88 | 3,123.17 | | | (10.27) | | 2,932.61 | 3,144.21 | 31.31 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 02/20/07 | 02/20/37 | 16,332.39 | 17,717.60 | | | (64.59) | | 16,267.80 | 17,759.21 | 106.20 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 02/20/07 | 02/20/37 | 19,909.74 | 21,469.03 | | | (489.07) | | 19,420.67 | 21,109.92 | 129.96 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 02/20/07 | 02/20/37 | 8,768.63 | 9,562.41 | | | (1,059.87) | | 7,708.76 | 8,443.24 | (59.30) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 03/06/07 | 02/20/37 | 16,397.72 | 17,788.72 | | | (64.07) | | 16,333.65 | 17,831.34 | 106.69 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 03/06/07 | 02/20/37 | 3,594.72 | 3,920.20 | | | (13.14) | | 3,581.58 | 3,922.89 | 15.83 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 03/20/07 | 02/20/37 | 1,620.32 | 1,767.01 | | | (5.90) | | 1,614.42 | 1,768.24 | 7.13 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 03/20/07 | 03/20/37 | 20,014.56 | 21,582.68 | | | (3,177.66) | | 16,836.90 | 18,301.94 | (103.08) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 03/20/07 | 03/20/37 | 14,692.79 | 15,939.36 | | | (66.07) | | 14,626.72 | 15,968.10 | 94.81 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 03/06/07 | 02/20/37 | 8,212.81 | 8,856.15 | | | (33.41) | | 8,179.40 | 8,890.98 | 68.24 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 04/24/07 | 04/20/37 | 21,437.29 | 23,117.75 | | | (87.05) | | 21,350.24 | 23,208.86 | 178.16 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 04/24/07 | 04/20/37 | 14,635.37 | 15,961.29 | | | (60.19) | | 14,575.18 | 15,964.92 | 63.82 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 04/24/07 | 04/20/37 | 12,340.46 | 13,388.01 | | | (47.39) | | 12,293.07 | 13,421.00 | 80.38 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 03/27/07 | 03/20/37 | 15,099.96 | 16,283.13 | | | (2,629.18) | | 12,470.78 | 13,555.97 | (97.98) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.62 | 03/27/07 | 02/20/37 | 4,458.77 | 4,862.54 | | | (16.31) | | 4,442.46 | 4,865.86 | 19.63 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 04/24/07 | 03/20/37 | 8,151.32 | 8,843.23 | | | (36.61) | | 8,114.71 | 8,859.20 | 52.58 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 04/10/07 | 03/20/37 | 13,290.94 | 14,418.91 | | | (50.68) | | 13,240.26 | 14,454.82 | 86.59 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 04/10/07 | 03/20/37 | 16,183.90 | 17,452.24 | | | (65.66) | | 16,118.24 | 17,521.11 | 134.53 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 04/10/07 | 03/20/37 | 1,935.10 | 2,110.38 | | | (6.99) | | 1,928.11 | 2,111.93 | 8.54 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 05/08/07 | 04/20/37 | 10,448.10 | 11,267.24 | | | (2,417.44) | | 8,030.66 | 8,729.84 | (119.96) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 05/08/07 | 04/20/37 | 6,018.10 | 6,563.39 | | | (21.89) | | 5,996.21 | 6,568.03 | 26.53 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 5.38 | 05/08/07 | 05/20/37 | 11,050.90 | 11,989.16 | | | (4,904.96) | | 6,145.94 | 6,709.93 | (374.27) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 05/22/07 | 05/20/37 | 19,722.77 | 21,397.58 | | | (79.77) | | 19,643.00 | 21,445.91 | 128.10 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 05/22/07 | 05/20/37 | 19,407.90 | 20,929.84 | | | (2,178.65) | | 17,229.25 | 18,729.63 | (21.56) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 06/05/07 | 05/20/37 | 17,695.11 | 19,197.98 | | | (69.21) | | 17,625.90 | 19,243.92 | 115.15 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 06/05/07 | 05/20/37 | 3,075.39 | 3,354.16 | | | (11.34) | | 3,064.05 | 3,356.38 | 13.56 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 06/05/07 | 05/20/37 | 30,093.05 | 32,453.41 | | | (138.45) | | 29,954.60 | 32,563.67 | 248.71 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 06/19/07 | 05/20/37 | 7,312.05 | 7,933.17 | | | (2,268.01) | | 5,044.04 | 5,507.13 | (158.03) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 06/19/07 | 06/20/37 | 16,567.82 | 17,867.63 | | | (1,670.76) | | 14,897.06 | 16,194.86 | (2.01) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 06/19/07 | 06/20/37 | 7,569.05 | 8,255.26 | | | (28.57) | | 7,540.48 | 8,259.94 | 33.25 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 08/07/07 | 07/20/37 | 28,285.83 | 30,520.41 | | | (140.29) | | 28,145.54 | 30,612.89 | 232.77 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 07/03/07 | 05/20/37 | 15,982.14 | 17,340.02 | | | (60.82) | | 15,921.32 | 17,383.33 | 104.13 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 07/03/07 | 06/20/37 | 10,746.70 | 11,569.78 | | | (41.61) | | 10,705.09 | 11,617.74 | 89.57 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 07/17/07 | 06/20/37 | 10,349.60 | 11,229.12 | | | (38.65) | | 10,310.95 | 11,257.98 | 67.51 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 07/17/07 | 06/20/37 | 6,025.39 | 6,486.95 | | | (23.71) | | 6,001.68 | 6,513.44 | 50.20 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 04/24/08 | 04/20/38 | 4,702.47 | 5,090.99 | | | (2,119.36) | | 2,583.11 | 2,820.21 | (151.42) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 04/24/08 | 04/20/38 | 6,969.73 | 7,504.64 | | | (26.93) | | 6,942.80 | 7,545.42 | 67.71 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 04/22/08 | 03/20/38 | 2,714.44 | 2,938.71 | | | (9.72) | | 2,704.72 | 2,952.99 | 24.00 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 04/22/08 | 03/20/38 | 5,517.34 | 6,007.70 | | | (19.83) | | 5,497.51 | 6,018.68 | 30.81 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 05/07/08 | 04/20/38 | 5,745.06 | 6,186.04 | | | (21.33) | | 5,723.73 | 6,220.61 | 55.90 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 05/07/08 | 04/20/38 | 5,744.94 | 6,255.58 | | | (19.31) | | 5,725.63 | 6,268.48 | 32.21 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 05/14/08 | 04/20/38 | 7,176.47 | 7,769.57 | | | (25.89) | | 7,150.58 | 7,807.12 | 63.44 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 05/21/08 | 05/20/38 | 12,107.35 | 13,014.18 | | | (44.50) | | 12,062.85 | 13,087.50 | 117.82 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 06/11/08 | 05/20/38 | 5,218.63 | 5,619.45 | | | (40.84) | | 5,177.79 | 5,627.53 | 48.92 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 07/09/08 | 06/20/38 | 6,260.02 | 6,816.92 | | | (20.78) | | 6,239.24 | 6,831.27 | 35.13 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 07/09/08 | 03/20/38 | 2,124.85 | 2,300.59 | | | (7.44) | | 2,117.41 | 2,311.96 | 18.81 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 07/16/08 | 06/20/38 | 2,423.21 | 2,609.40 | | | (8.70) | | 2,414.51 | 2,624.31 | 23.61 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 06/18/08 | 03/20/38 | 617.19 | 672.05 | | | (2.09) | | 615.10 | 673.43 | 3.47 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 06/25/08 | 05/20/38 | 3,915.28 | 4,263.52 | | | (13.09) | | 3,902.19 | 4,272.40 | 21.97 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 06/25/08 | 05/20/38 | 7,695.04 | 8,331.38 | | | (1,294.12) | | 6,400.92 | 6,988.97 | (48.29) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 07/23/08 | 06/20/38 | 7,113.78 | 7,702.29 | | | (24.52) | | 7,089.26 | 7,740.77 | 63.00 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 07/29/08 | 06/20/38 | 3,363.95 | 3,642.25 | | | (11.52) | | 3,352.43 | 3,660.53 | 29.80 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 08/27/08 | 08/20/38 | 5,061.68 | 5,450.92 | | | (18.09) | | 5,043.59 | 5,482.15 | 49.32 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 08/13/08 | 07/20/38 | 1,603.05 | 1,745.74 | | | (5.24) | | 1,597.81 | 1,749.49 | 8.99 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 08/13/08 | 07/20/38 | 3,498.92 | 3,788.44 | | | (11.96) | | 3,486.96 | 3,807.47 | 30.99 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 08/13/08 | 07/20/38 | 5,201.95 | 5,601.86 | | | (19.66) | | 5,182.29 | 5,632.79 | 50.59 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 08/27/08 | 08/20/38 | 2,295.02 | 2,499.34 | | | (7.42) | | 2,287.60 | 2,504.82 | 12.90 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 09/10/08 | 09/20/38 | 8,510.27 | 9,164.82 | | | (33.53) | | 8,476.74 | 9,213.93 | 82.64 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 09/24/08 | 07/20/38 | 2,365.38 | 2,561.25 | | | (8.05) | | 2,357.33 | 2,574.16 | 20.96 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 09/24/08 | 08/20/38 | 2,525.16 | 2,719.42 | | | (10.78) | | 2,514.38 | 2,733.09 | 24.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 09/24/08 | 09/20/38 | 5,024.74 | 5,440.80 | | | (17.74) | | 5,007.00 | 5,467.54 | 44.48 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 10/15/08 | 08/20/38 | 2,597.82 | 2,797.72 | | | (9.25) | | 2,588.57 | 2,813.78 | 25.31 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 10/15/08 | 08/20/38 | 2,694.91 | 2,934.97 | | | (8.70) | | 2,686.21 | 2,941.41 | 15.14 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 10/15/08 | 09/20/38 | 1,374.14 | 1,479.89 | | | (4.83) | | 1,369.31 | 1,488.45 | 13.39 | 0.00 |
| GNMA | 2002 A-D SF MRB | | | | 3,521.41 | 3,835.14 | | | (3,521.41) | | | | (313.73) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 11/12/08 | 10/20/38 | 5,762.73 | 6,206.37 | | | (20.48) | | 5,742.25 | 6,242.05 | 56.16 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 11/12/08 | 10/20/38 | 1,885.49 | 2,041.72 | | | (6.33) | | 1,879.16 | 2,052.09 | 16.70 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 11/25/08 | 09/20/38 | 2,791.31 | 3,006.23 | | | (13.69) | | 2,777.62 | 3,019.42 | 26.88 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 11/25/08 | 11/20/38 | 10,382.56 | 11,243.05 | | | (34.72) | | 10,347.84 | 11,300.38 | 92.05 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.63 | 12/10/08 | 10/20/38 | 2,855.54 | 3,110.08 | | | (9.25) | | 2,846.29 | 3,116.88 | 16.05 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 12/10/08 | 11/20/38 | 3,501.80 | 3,792.07 | | | (11.62) | | 3,490.18 | 3,811.50 | 31.05 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 12/10/08 | 11/20/38 | 7,025.81 | 7,566.92 | | | (25.81) | | 7,000.00 | 7,609.51 | 68.40 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.38 | 12/17/08 | 11/20/38 | 4,425.63 | 4,792.51 | | | (25.41) | | 4,400.22 | 4,805.37 | 38.27 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/17/08 | 12/20/38 | 8,504.42 | 9,185.50 | | | (29.89) | | 8,474.53 | 9,234.49 | 78.88 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/17/08 | 11/20/38 | 4,175.24 | 4,509.61 | | | (1,669.23) | | 2,506.01 | 2,730.74 | (109.64) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/17/08 | 12/20/38 | 5,779.34 | 6,242.20 | | | (19.58) | | 5,759.76 | 6,276.28 | 53.66 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 12/17/08 | 12/20/38 | 10,036.31 | 10,809.40 | | | (35.01) | | 10,001.30 | 10,872.26 | 97.87 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/17/08 | 11/20/38 | 5,865.51 | 6,335.25 | | | (19.99) | | 5,845.52 | 6,369.71 | 54.45 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/23/08 | 12/20/38 | 13,937.59 | 15,053.87 | | | (1,807.30) | | 12,130.29 | 13,218.13 | (28.44) | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/23/08 | 10/20/38 | 5,289.56 | 5,713.21 | | | (18.08) | | 5,271.48 | 5,744.23 | 49.10 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.13 | 12/30/08 | 12/20/38 | 1,688.10 | 1,818.16 | | | (5.85) | | 1,682.25 | 1,828.78 | 16.47 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 A-D SF MRB | 5.38 | 12/30/08 | 11/20/38 | 2,873.92 | 3,112.22 | | | (13.30) | | 2,860.62 | 3,124.05 | 25.13 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.25 | 12/30/08 | 12/20/38 | 1,947.45 | 2,103.45 | | | (6.74) | | 1,940.71 | 2,114.77 | 18.06 | 0.00 |
| GNMA | 2002 A-D SF MRB | 5.15 | 12/30/08 | 12/20/38 | 5,385.39 | 5,804.05 | | | (18.58) | | 5,366.81 | 5,837.45 | 51.98 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 02/20/07 | 01/01/37 | 9,148.49 | 9,679.01 | | | (38.14) | | 9,110.35 | 9,767.27 | 126.40 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 03/06/07 | 02/01/37 | 12,137.58 | 12,947.46 | | | (168.75) | | 11,968.83 | 12,847.70 | 68.99 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 03/06/07 | 02/01/37 | 5,746.98 | 6,176.41 | | | (2,314.59) | | 3,432.39 | 3,697.35 | (164.47) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 03/20/07 | 09/01/36 | 1,531.71 | 1,620.54 | | | (35.64) | | 1,496.07 | 1,603.95 | 19.05 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 03/20/07 | 02/01/37 | 5,109.57 | 5,491.35 | | | (2,586.48) | | 2,523.09 | 2,717.83 | (187.04) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 03/20/07 | 09/01/36 | 2,540.42 | 2,712.58 | | | (12.37) | | 2,528.05 | 2,718.48 | 18.27 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 03/27/07 | 03/01/37 | 8,747.53 | 9,246.86 | | | (2,501.42) | | 6,246.11 | 6,682.82 | (62.62) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 04/10/07 | 03/01/37 | 20,727.19 | 22,110.61 | | | (83.91) | | 20,643.28 | 22,159.50 | 132.80 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 04/10/07 | 03/01/37 | 7,191.36 | 7,728.82 | | | (2,451.56) | | 4,739.80 | 5,105.77 | (171.49) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 04/10/07 | 03/01/37 | 17,679.12 | 18,688.46 | | | (81.63) | | 17,597.49 | 18,827.99 | 221.16 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 04/24/07 | 04/01/37 | 27,042.14 | 28,876.27 | | | (112.08) | | 26,930.06 | 28,960.16 | 195.97 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 04/24/07 | 04/01/37 | 6,845.45 | 7,236.31 | | | (28.18) | | 6,817.27 | 7,294.01 | 85.88 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 04/24/07 | 04/01/37 | 5,108.83 | 5,490.74 | | | (2,642.83) | | 2,466.00 | 2,656.47 | (191.44) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 05/08/07 | 04/01/37 | 5,065.83 | 5,355.12 | | | (20.13) | | 5,045.70 | 5,398.60 | 63.61 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 05/22/07 | 04/01/37 | 4,888.02 | 5,214.33 | | | (23.87) | | 4,864.15 | 5,221.48 | 31.02 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 05/22/07 | 04/01/37 | 4,045.03 | 4,276.04 | | | (20.78) | | 4,024.25 | 4,305.72 | 50.46 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 06/05/07 | 05/01/37 | 7,126.23 | 7,609.69 | | | (41.71) | | 7,084.52 | 7,618.69 | 50.71 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 06/05/07 | 05/01/37 | 4,084.98 | 4,390.40 | | | (1,436.67) | | 2,648.31 | 2,852.87 | (100.86) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 06/05/07 | 04/01/37 | 8,557.27 | 9,046.03 | | | (44.88) | | 8,512.39 | 9,107.83 | 106.68 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 06/19/07 | 05/01/37 | 13,050.32 | 13,921.77 | | | (75.35) | | 12,974.97 | 13,928.37 | 81.95 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 07/03/07 | 06/01/37 | 7,699.48 | 8,139.39 | | | (59.05) | | 7,640.43 | 8,175.01 | 94.67 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 04/08/08 | 03/01/38 | 3,606.50 | 3,862.41 | | | (380.85) | | 3,225.65 | 3,480.25 | (1.31) | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.63 | 04/15/08 | 12/01/37 | 3,050.77 | 3,311.40 | | | (16.03) | | 3,034.74 | 3,297.37 | 2.00 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 04/15/08 | 01/01/38 | 2,713.37 | 2,925.09 | | | (9.63) | | 2,703.74 | 2,931.08 | 15.62 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.13 | 04/15/08 | 04/01/38 | 2,380.00 | 2,548.92 | | | (8.71) | | 2,371.29 | 2,558.50 | 18.29 | 0.00 |
| FNMA | 2002 A-D SF MRB | 5.38 | 04/29/08 | 04/01/38 | 3,390.15 | 3,654.75 | | | (19.68) | | 3,370.47 | 3,653.95 | 18.88 | 0.00 |
| | **2002 A-D SF MRB Total** | | | | 62,892,337.29 | 66,060,762.65 | 2,890,654.78 | (1,637,850.87) | (1,556,628.87) | 0.00 | 62,588,512.33 | 67,236,524.76 | 1,479,587.07 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2004A Single Family (Jr. Lien) | 0.20 | 08/31/10 | 09/01/10 | 45.90 | 45.90 | 3,848.40 | | | | 3,894.30 | 3,894.30 | - | 0.00 |
| Repo Agmt | 2004A Single Family (Jr. Lien) | 0.20 | 08/31/10 | 09/01/10 | 115,650.00 | 115,650.00 | 0.00 | | | | 115,650.00 | 115,650.00 | - | 0.00 |
| | **2004A Single Family (Jr. Lien) Total** | | | | 115,695.90 | 115,695.90 | 3,848.40 | 0.00 | 0.00 | 0.00 | 119,544.30 | 119,544.30 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 1991 A S/F (1980 A Refunding) | 0.20 | 08/31/10 | 09/01/10 | 31,256.83 | 31,256.83 | 57,646.82 | | | | 88,903.65 | 88,903.65 | - | 0.00 |
| GIC's | 1991 A S/F (1980 A Refunding) | 6.08 | 11/14/96 | 09/30/29 | 1,790,715.44 | 1,790,715.44 | | (578,728.64) | | | 1,211,986.80 | 1,211,986.80 | - | 0.00 |
| Repo Agmt | 1991 A S/F (1980 A Refunding) | 0.20 | 08/31/10 | 09/01/10 | 3.12 | 3.12 | 3.29 | | | | 6.41 | 6.41 | - | 0.00 |
| GIC's | 1991 A S/F (1980 A Refunding) | 6.08 | 11/14/96 | 09/30/29 | 105.47 | 105.47 | 0.00 | | | | 105.47 | 105.47 | - | 0.00 |
| Repo Agmt | 1991 A S/F (1980 A Refunding) | 0.20 | 08/31/10 | 09/01/10 | 108.89 | 108.89 | 16,970.80 | | | | 17,079.69 | 17,079.69 | - | 0.00 |
| GIC's | 1991 A S/F (1980 A Refunding) | 4.51 | 06/26/02 | 08/31/12 | 659,588.86 | 659,588.86 | | (2,000.00) | | | 657,588.86 | 657,588.86 | - | 0.00 |
| Repo Agmt | 1991 A S/F (1980 A Refunding) | 0.20 | 08/31/10 | 09/01/10 | | | 0.01 | | | | 0.01 | 0.01 | - | 0.00 |
| | **1991 A S/F (1980 A Refunding) Total** | | | | 2,481,778.61 | 2,481,778.61 | 74,620.92 | (580,728.64) | 0.00 | 0.00 | 1,975,670.89 | 1,975,670.89 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 1994 A&B SF (1983 Refunding) | 0.20 | 08/31/10 | 09/01/10 | 10,000.22 | 10,000.22 | (9,483.61) | | | | 516.61 | 516.61 | - | 0.00 |
| Repo Agmt | 1994 A&B SF (1983 Refunding) | 0.20 | 08/31/10 | 09/01/10 | | | 17.61 | | | | 17.61 | 17.61 | - | 0.00 |
| GIC's | 1994 A&B SF (1983 Refunding) | 6.08 | 11/14/96 | 09/30/29 | 548.30 | 548.30 | 0.00 | | | | 548.30 | 548.30 | - | 0.00 |
| GIC's | 1994 A&B SF (1983 Refunding) | 6.08 | 11/14/96 | 09/30/29 | 17,934.03 | 17,934.03 | 10,001.48 | | | | 27,935.51 | 27,935.51 | - | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 05/30/96 | 04/01/26 | 9,275.24 | 10,266.50 | | | (2,528.35) | | 6,746.89 | 7,458.65 | (279.50) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 06/27/96 | 05/01/26 | 7,338.26 | 8,113.71 | | | (95.94) | | 7,242.32 | 7,997.80 | (19.97) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 07/15/96 | 06/01/26 | 5,448.56 | 6,035.81 | | | (78.07) | | 5,370.49 | 5,941.85 | (15.89) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 07/01/96 | 06/01/26 | 3,623.83 | 4,016.37 | | | (118.84) | | 3,504.99 | 3,879.77 | (17.76) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 08/15/96 | 07/01/26 | 8,334.33 | 9,234.36 | | | (170.83) | | 8,163.50 | 9,033.70 | (29.83) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 08/29/96 | 08/01/26 | 7,377.53 | 8,053.94 | | | (85.89) | | 7,291.64 | 7,955.69 | (12.36) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/16/96 | 08/01/26 | 3,661.69 | 3,993.60 | | | (70.50) | | 3,591.19 | 3,914.56 | (8.54) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 10/30/96 | 10/01/26 | 11,992.04 | 13,076.84 | | | (165.30) | | 11,826.74 | 12,889.56 | (21.98) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 12/23/96 | 11/01/26 | 5,773.93 | 6,298.98 | | | (111.38) | | 5,662.55 | 6,174.07 | (13.53) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 03/27/97 | 01/01/27 | 9,096.66 | 9,917.50 | | | (223.80) | | 8,872.86 | 9,668.27 | (25.43) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/29/97 | 07/01/27 | 4,765.75 | 5,250.79 | | | (55.80) | | 4,709.95 | 5,188.60 | (6.39) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 07/30/96 | 07/20/26 | 38,869.85 | 42,931.71 | | | (472.45) | | 38,397.40 | 42,435.76 | (23.50) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 03/28/96 | 03/20/26 | 8,140.89 | 8,991.07 | | | (140.18) | | 8,000.71 | 8,841.63 | (9.26) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 08/15/96 | 07/20/26 | 33,656.44 | 37,165.98 | | | (5,092.25) | | 28,564.19 | 31,562.08 | (511.65) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 04/29/96 | 04/20/26 | 11,402.81 | 12,592.29 | | | (133.63) | | 11,269.18 | 12,452.35 | (6.31) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 05/15/96 | 05/20/26 | 37,712.75 | 41,643.55 | | | (2,852.99) | | 34,859.76 | 38,516.77 | (273.79) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 05/30/96 | 05/20/26 | 12,476.41 | 13,779.37 | | | (160.00) | | 12,316.41 | 13,610.95 | (8.42) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 06/17/96 | 06/20/26 | 42,591.19 | 47,035.05 | | | (474.64) | | 42,116.55 | 46,539.32 | (21.09) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 06/29/96 | 06/20/26 | 10,927.73 | 12,066.00 | | | (220.01) | | 10,707.72 | 11,830.34 | (15.65) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 07/15/96 | 06/20/26 | 55,901.39 | 61,717.83 | | | (752.36) | | 55,149.03 | 60,924.65 | (40.82) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 08/29/96 | 08/20/26 | 35,504.71 | 39,072.91 | | | (563.18) | | 34,941.53 | 38,478.75 | (30.98) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/16/96 | 09/20/26 | 16,080.41 | 17,686.20 | | | (282.12) | | 15,798.29 | 17,387.65 | (16.43) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/26/96 | 09/20/26 | 9,357.84 | 10,295.77 | | | (191.43) | | 9,166.41 | 10,091.92 | (12.42) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 10/30/96 | 10/20/26 | 39,480.54 | 43,426.24 | | | (522.97) | | 38,957.57 | 42,879.92 | (23.35) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 11/26/96 | 11/20/26 | 22,493.49 | 24,758.17 | | | (242.47) | | 22,251.02 | 24,507.58 | (8.12) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 12/23/96 | 12/20/26 | 9,780.35 | 10,755.04 | | | (2,205.40) | | 7,574.95 | 8,335.50 | (214.14) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 01/16/97 | 12/20/26 | 29,241.51 | 32,156.32 | | | (321.13) | | 28,920.38 | 31,824.76 | (10.43) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 01/30/97 | 01/20/27 | 17,464.54 | 19,303.45 | | | (2,653.58) | | 14,810.96 | 16,410.02 | (239.85) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 02/13/97 | 02/20/27 | 13,595.85 | 15,026.93 | | | (155.00) | | 13,440.85 | 14,891.53 | 19.60 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 02/27/97 | 02/20/27 | 6,522.42 | 7,202.51 | | | (67.23) | | 6,455.19 | 7,145.59 | 10.31 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 03/27/97 | 03/20/27 | 20,787.15 | 22,940.77 | | | (3,680.47) | | 17,106.68 | 18,925.03 | (335.27) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 04/29/97 | 04/20/27 | 10,087.67 | 11,126.28 | | | (92.29) | | 9,995.38 | 11,051.48 | 17.49 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 05/29/97 | 05/20/27 | 7,813.96 | 8,618.42 | | | (303.72) | | 7,510.24 | 8,303.71 | (10.99) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 06/26/97 | 06/20/27 | 5,390.73 | 5,947.94 | | | (93.65) | | 5,297.08 | 5,858.89 | 4.60 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 08/18/97 | 07/20/27 | 12,101.04 | 13,421.30 | | | (169.14) | | 11,931.90 | 13,265.03 | 12.87 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/29/97 | 08/20/27 | 24,159.85 | 26,658.16 | | | (216.23) | | 23,943.62 | 26,484.08 | 42.15 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 02/26/98 | 02/20/28 | 6,383.79 | 7,052.12 | | | (49.23) | | 6,334.56 | 7,056.33 | 53.44 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 03/26/98 | 01/20/28 | 5,917.55 | 6,537.08 | | | (84.05) | | 5,833.50 | 6,498.18 | 45.15 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 04/29/98 | 04/20/28 | 10,566.20 | 11,672.28 | | | (98.02) | | 10,468.18 | 11,660.83 | 86.57 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 06/25/98 | 05/20/28 | 3,286.28 | 3,630.32 | | | (46.42) | | 3,239.86 | 3,609.02 | 25.12 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 07/16/98 | 06/20/28 | 1,559.68 | 1,722.98 | | | (73.36) | | 1,486.32 | 1,655.69 | 6.07 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 09/10/98 | 07/20/28 | 13,157.98 | 14,535.50 | | | (3,087.04) | | 10,070.94 | 11,218.44 | (230.02) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.15 | 11/19/98 | 10/20/28 | 22,533.87 | 24,892.93 | | | (6,777.57) | | 15,756.30 | 17,551.56 | (563.80) | 0.00 |
| Repo Agmt | 1994 A&B SF (1983 Refunding) | 0.20 | 08/31/10 | 09/01/10 | 100,980.42 | 100,980.42 | 139,094.42 | | | | 240,074.84 | 240,074.84 | - | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.75 | 02/20/98 | 01/01/28 | 1,228.49 | 1,342.27 | | | (21.89) | | 1,206.60 | 1,318.02 | (2.36) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 03/27/98 | 03/01/28 | 2,865.59 | 3,166.10 | | | (21.66) | | 2,843.93 | 3,146.46 | 2.02 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 06/29/98 | 05/01/28 | 738.56 | 816.00 | | | (47.56) | | 691.00 | 764.50 | (3.94) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.75 | 02/20/98 | 01/20/28 | 15,927.27 | 17,627.36 | | | (167.20) | | 15,760.07 | 17,621.97 | 161.81 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 11/30/98 | 09/01/28 | 3,280.41 | 3,624.46 | | | (26.32) | | 3,254.09 | 3,600.28 | 2.14 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 03/27/98 | 03/20/28 | 34,977.84 | 38,711.38 | | | (560.06) | | 34,417.78 | 38,483.91 | 332.59 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 05/19/98 | 05/20/28 | 21,364.49 | 23,644.92 | | | (1,327.44) | | 20,037.05 | 22,404.21 | 86.73 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/28/00 | 06/20/30 | 16,047.69 | 17,371.56 | | | (132.57) | | 15,915.12 | 17,322.59 | 83.60 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 08/14/98 | 07/20/28 | 12,214.77 | 13,518.56 | | | (122.31) | | 12,092.46 | 13,521.05 | 124.80 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 06/29/98 | 06/20/28 | 6,948.84 | 7,690.57 | | | (56.05) | | 6,892.79 | 7,707.12 | 72.60 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 09/18/98 | 09/20/28 | 9,489.50 | 10,502.37 | | | (1,184.43) | | 8,305.07 | 9,286.19 | (31.75) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 03/31/99 | 11/01/28 | 1,715.68 | 1,895.59 | | | (37.60) | | 1,678.08 | 1,856.58 | (1.41) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 11/30/98 | 11/20/28 | 7,628.19 | 8,442.40 | | | (61.56) | | 7,566.63 | 8,460.53 | 79.69 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 11/30/98 | 11/20/28 | 5,658.66 | 6,262.69 | | | (50.04) | | 5,608.62 | 6,271.24 | 58.59 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 11/30/98 | 10/20/28 | 2,468.59 | 2,732.08 | | | (18.77) | | 2,449.82 | 2,739.23 | 25.92 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 05/27/99 | 11/01/28 | 839.59 | 917.34 | | | (20.70) | | 818.89 | 894.49 | (2.15) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 02/16/99 | 02/20/29 | 13,284.46 | 14,709.87 | | | (133.73) | | 13,150.73 | 14,693.55 | 117.41 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 03/31/99 | 02/20/29 | 885.91 | 980.98 | | | (19.12) | | 866.79 | 968.50 | 6.64 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 6.25 | 05/27/99 | 05/20/29 | 4,285.45 | 4,745.29 | | | (38.27) | | 4,247.18 | 4,745.47 | 38.45 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/30/99 | 07/20/29 | 8,383.62 | 9,075.05 | | | (70.91) | | 8,312.71 | 9,049.67 | 45.53 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 08/26/99 | 08/20/29 | 10,412.44 | 11,271.12 | | | (102.80) | | 10,309.64 | 11,223.56 | 55.24 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/20/99 | 08/01/29 | 1,611.67 | 1,728.74 | | | (11.40) | | 1,600.27 | 1,727.73 | 10.39 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/20/99 | 09/20/29 | 5,171.73 | 5,598.22 | | | (204.49) | | 4,967.24 | 5,407.57 | 13.84 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/20/99 | 12/01/29 | 5,704.75 | 6,120.49 | | | (1,497.50) | | 4,207.25 | 4,543.34 | (79.65) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 01/19/00 | 12/01/29 | 4,014.31 | 4,306.88 | | | (47.02) | | 3,967.29 | 4,284.24 | 24.38 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/28/99 | 10/20/29 | 13,898.13 | 15,044.33 | | | (694.06) | | 13,204.07 | 14,374.63 | 24.36 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 11/18/99 | 11/20/29 | 1,902.59 | 2,059.49 | | | (25.69) | | 1,876.90 | 2,043.28 | 9.48 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/30/99 | 12/20/29 | 32,732.76 | 35,432.21 | | | (300.36) | | 32,432.40 | 35,307.50 | 175.65 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 01/28/00 | 01/20/30 | 8,971.81 | 9,712.10 | | | (64.66) | | 8,907.15 | 9,695.01 | 47.57 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 02/22/00 | 01/20/30 | 4,844.05 | 5,243.65 | | | (34.30) | | 4,809.75 | 5,235.09 | 25.74 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 03/27/00 | 02/20/30 | 6,613.20 | 7,158.78 | | | (52.88) | | 6,560.32 | 7,140.50 | 34.60 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 04/27/00 | 03/01/30 | 3,793.58 | 4,062.21 | | | (27.27) | | 3,766.31 | 4,067.88 | 32.94 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 04/27/00 | 04/20/30 | 7,367.03 | 7,974.79 | | | (53.11) | | 7,313.92 | 7,960.73 | 39.05 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 05/30/00 | 04/20/30 | 1,480.35 | 1,602.42 | | | (10.15) | | 1,470.20 | 1,600.17 | 7.90 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 06/21/00 | 05/20/30 | 9,035.91 | 9,781.34 | | | (1,283.71) | | 7,752.20 | 8,437.77 | (59.86) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/18/00 | 09/20/30 | 13,718.98 | 14,850.77 | | | (1,030.98) | | 12,688.00 | 13,810.09 | (9.70) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/24/00 | 06/01/30 | 2,110.81 | 2,260.21 | | | (34.56) | | 2,076.25 | 2,242.42 | 16.77 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/30/99 | 07/20/29 | 69,582.02 | 75,320.41 | | | (588.50) | | 68,993.52 | 75,109.75 | 377.84 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 08/26/99 | 08/20/29 | 86,420.08 | 93,547.21 | | | (853.20) | | 85,566.88 | 93,152.45 | 458.44 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/20/99 | 08/01/29 | 13,374.76 | 14,349.27 | | | (94.66) | | 13,280.10 | 14,340.81 | 86.20 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/20/99 | 09/20/29 | 42,923.84 | 46,463.72 | | | (1,697.16) | | 41,226.68 | 44,881.38 | 114.82 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/20/99 | 12/01/29 | 47,347.69 | 50,798.39 | | | (12,428.84) | | 34,918.85 | 37,708.51 | (661.04) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 01/19/00 | 12/01/29 | 33,317.75 | 35,745.93 | | | (390.22) | | 32,927.53 | 35,558.09 | 202.38 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/28/99 | 10/20/29 | 115,350.79 | 124,863.75 | | | (5,760.49) | | 109,590.30 | 119,305.45 | 202.19 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 11/18/99 | 11/20/29 | 15,790.95 | 17,093.23 | | | (213.21) | | 15,577.74 | 16,958.72 | 78.70 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/30/99 | 12/30/29 | 271,672.70 | 294,077.47 | | | (2,492.96) | | 269,179.74 | 293,042.44 | 1,457.93 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 01/28/00 | 01/20/30 | 74,464.41 | 80,607.76 | | | (536.72) | | 73,927.69 | 80,465.89 | 394.85 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 02/22/00 | 01/20/30 | 40,204.05 | 43,520.86 | | | (284.67) | | 39,919.38 | 43,449.83 | 213.64 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 03/27/00 | 02/20/30 | 14,874.57 | 16,101.70 | | | (118.94) | | 14,755.63 | 16,060.59 | 77.83 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 06/22/99 | 06/20/29 | 77,788.64 | 84,203.91 | | | (6,441.51) | | 71,347.13 | 77,672.09 | (90.31) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/30/99 | 07/20/29 | 104,750.65 | 113,389.41 | | | (948.68) | | 103,801.97 | 113,003.99 | 563.26 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 08/26/99 | 08/20/29 | 69,142.44 | 74,844.60 | | | (621.72) | | 68,520.72 | 74,595.06 | 372.18 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/20/99 | 09/20/29 | 55,887.65 | 60,496.67 | | | (416.24) | | 55,471.41 | 60,388.93 | 308.50 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/21/99 | 11/01/29 | 34,176.17 | 36,666.88 | | | (10,433.64) | | 23,742.53 | 25,639.27 | (593.97) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/29/99 | 10/20/29 | 118,965.87 | 128,776.99 | | | (964.30) | | 118,001.57 | 128,462.41 | 649.72 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 11/18/99 | 11/20/29 | 134,574.29 | 145,672.67 | | | (1,006.72) | | 133,567.57 | 145,408.36 | 742.41 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/30/99 | 12/20/29 | 131,828.84 | 142,700.81 | | | (989.82) | | 130,839.02 | 142,437.94 | 726.95 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 01/28/00 | 01/20/30 | 146,472.36 | 158,556.30 | | | (1,122.64) | | 145,349.72 | 158,204.43 | 770.77 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 02/22/00 | 01/20/30 | 76,342.91 | 82,641.19 | | | (785.29) | | 75,557.62 | 82,239.93 | 384.03 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 03/27/00 | 02/20/30 | 38,043.79 | 41,182.12 | | | (9,346.90) | | 28,696.89 | 31,234.55 | (600.67) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 02/23/00 | 01/01/30 | 18,782.92 | 20,151.81 | | | (4,125.28) | | 14,657.64 | 15,828.63 | (197.90) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/28/00 | 06/20/30 | 133,190.87 | 144,179.13 | | | (1,100.24) | | 132,090.63 | 143,772.74 | 693.85 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 03/27/00 | 02/20/30 | 40,013.10 | 43,314.18 | | | (319.96) | | 39,693.14 | 43,203.60 | 209.38 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 04/27/00 | 03/01/30 | 31,485.74 | 33,715.25 | | | (226.40) | | 31,259.34 | 33,762.27 | 273.42 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 04/27/00 | 04/20/30 | 61,144.17 | 66,188.54 | | | (440.89) | | 60,703.28 | 66,071.87 | 324.22 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 05/30/00 | 04/20/30 | 12,286.09 | 13,299.67 | | | (84.24) | | 12,201.85 | 13,280.97 | 65.54 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 06/21/00 | 05/20/30 | 74,995.39 | 81,182.44 | | | (10,654.49) | | 64,340.90 | 70,031.15 | (496.80) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 09/18/00 | 09/20/30 | 113,863.52 | 123,257.25 | | | (8,556.91) | | 105,306.61 | 114,619.90 | (80.44) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/24/00 | 06/01/30 | 17,518.63 | 18,759.12 | | | (286.88) | | 17,231.75 | 18,611.50 | 139.26 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/24/00 | 06/20/30 | 128,604.90 | 139,214.82 | | | (1,076.62) | | 127,528.28 | 138,806.89 | 668.69 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 08/28/00 | 08/20/30 | 29,699.04 | 32,149.26 | | | (196.72) | | 29,502.32 | 32,111.56 | 159.02 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 03/27/00 | 02/20/30 | 5,728.19 | 6,200.99 | | | (1,407.41) | | 4,320.78 | 4,703.14 | (90.44) | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 04/27/00 | 03/20/30 | 51,062.00 | 55,274.58 | | | (393.07) | | 50,668.93 | 55,150.06 | 268.55 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 05/30/00 | 05/20/30 | 64,328.11 | 69,635.23 | | | (1,550.40) | | 62,777.71 | 68,329.83 | 245.00 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 06/21/00 | 06/20/30 | 131,752.73 | 142,622.34 | | | (920.15) | | 130,832.58 | 142,403.42 | 701.23 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 05/31/00 | 05/01/30 | 24,046.79 | 25,749.60 | | | (616.60) | | 23,430.19 | 25,306.31 | 173.31 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/23/00 | 09/20/30 | 5,354.53 | 5,796.26 | | | (34.75) | | 5,319.78 | 5,790.24 | 28.73 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/30/00 | 10/20/30 | 34,335.74 | 37,168.36 | | | (6,626.14) | | 27,709.60 | 30,160.16 | (382.06) | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 07/24/00 | 06/01/30 | 53,050.53 | 56,806.99 | | | (2,460.64) | | 50,589.89 | 54,640.58 | 294.23 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 12/21/00 | 05/20/30 | 8,466.58 | 9,165.08 | | | (58.26) | | 8,408.32 | 9,151.95 | 45.13 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/06/00 | 09/01/30 | 25,472.47 | 27,276.18 | | | (282.87) | | 25,189.60 | 27,206.54 | 213.23 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 10/30/00 | 08/01/30 | 41,403.17 | 44,334.91 | | | (453.57) | | 40,949.60 | 44,228.41 | 347.07 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 5.45 | 02/12/01 | 02/01/30 | 4,209.78 | 4,516.58 | | | (40.52) | | 4,169.26 | 4,502.34 | 26.28 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 07/07/05 | 07/20/35 | 134,237.79 | 139,466.07 | | | (741.11) | | 133,496.68 | 143,111.09 | 4,386.13 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 09/15/05 | 09/20/35 | 14,129.32 | 14,680.55 | | | (71.82) | | 14,057.50 | 15,070.85 | 462.12 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 09/22/05 | 09/20/35 | 19,209.16 | 19,958.66 | | | (107.95) | | 19,101.21 | 20,478.25 | 627.54 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 08/11/05 | 07/20/35 | 35,800.57 | 37,313.19 | | | (177.28) | | 35,623.29 | 38,334.94 | 1,199.03 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 08/18/05 | 08/20/35 | 84,642.55 | 88,302.29 | | | (537.49) | | 84,105.06 | 90,542.05 | 2,777.25 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 08/30/05 | 08/20/35 | 146,069.01 | 151,764.98 | | | (800.77) | | 145,268.24 | 155,737.49 | 4,773.28 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 09/29/05 | 07/20/35 | 6,498.51 | 6,773.36 | | | (32.66) | | 6,465.85 | 6,958.33 | 217.63 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 10/13/05 | 09/20/35 | 11,696.28 | 12,152.83 | | | (59.90) | | 11,636.38 | 12,475.45 | 382.52 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 10/27/05 | 10/20/35 | 86,352.54 | 89,724.53 | | | (464.36) | | 85,888.18 | 92,082.82 | 2,822.65 | 0.00 |
| GNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 11/01/05 | 11/20/35 | 23,710.12 | 24,713.88 | | | (121.19) | | 23,588.93 | 25,386.56 | 793.87 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 09/08/05 | 08/01/35 | 14,038.67 | 14,500.67 | | | (87.17) | | 13,951.50 | 14,802.39 | 388.89 | 0.00 |
| FNMA | 1994 A&B SF (1983 Refunding) | 4.49 | 11/01/05 | 10/01/35 | 12,064.84 | 12,462.21 | | | (216.28) | | 11,848.56 | 12,571.53 | 325.60 | 0.00 |
| | **1994 A&B SF (1983 Refunding) Total** | | | | 4,617,256.93 | 4,975,461.47 | 139,629.90 | 0.00 | (149,440.06) | 0.00 | 4,607,446.77 | 4,993,504.48 | 27,853.17 | 0.00 |
| Repo Agmt | 1995 C SF (1985 A&B Refunding) | 0.20 | 08/31/10 | 09/01/10 | 1.48 | 1.48 | 0.77 | | | | 2.25 | 2.25 | - | 0.00 |
| GIC's | 1995 C SF (1985 A&B Refunding) | 6.08 | 11/14/96 | 09/30/29 | 24.57 | 24.57 | 0.00 | | | | 24.57 | 24.57 | - | 0.00 |
| Repo Agmt | 1995 C SF (1985 A&B Refunding) | 0.20 | 08/31/10 | 09/01/10 | | | 0.01 | | | | 0.01 | 0.01 | - | 0.00 |
| | **1995 C SF (1985 A&B Refunding) Total** | | | | 26.05 | 26.05 | 0.78 | 0.00 | 0.00 | 0.00 | 26.83 | 26.83 | 0.00 | 0.00 |
| Repo Agmt | 2005 Single Family | | | | 16.08 | 16.08 | | (16.08) | | | | | - | 0.00 |
| Repo Agmt | 2005 Single Family | 0.20 | 08/31/10 | 09/01/10 | 10.41 | 10.41 | 4,301,963.29 | | | | 4,301,973.70 | 4,301,973.70 | - | 0.00 |
| GIC's | 2005 Single Family | 3.37 | 09/22/05 | 09/01/36 | 2,673,186.72 | 2,673,186.72 | | (2,489,175.68) | | | 184,011.04 | 184,011.04 | - | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/11/05 | 07/20/35 | 1,019,882.16 | 1,061,203.92 | | | (5,619.07) | | 1,014,263.09 | 1,088,935.95 | 33,351.10 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/30/05 | 08/20/35 | 427,556.25 | 444,889.05 | | | (2,233.54) | | 425,322.71 | 456,646.25 | 13,990.74 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 10/27/05 | 10/20/35 | 1,337,212.53 | 1,391,509.29 | | | (6,621.27) | | 1,330,591.26 | 1,428,672.76 | 43,784.74 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 10/27/05 | 10/20/35 | 824,982.47 | 858,480.45 | | | (6,814.10) | | 818,168.37 | 878,477.81 | 26,811.46 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 09/29/05 | 09/20/35 | 4,856,764.69 | 5,053,817.78 | | | (25,395.71) | | 4,831,368.98 | 5,187,345.29 | 158,923.22 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 10/06/05 | 09/20/35 | 1,372,701.47 | 1,428,404.64 | | | (6,880.45) | | 1,365,821.02 | 1,466,465.38 | 44,941.19 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 10/20/05 | 10/20/35 | 841,405.87 | 875,565.40 | | | (4,464.81) | | 836,941.06 | 898,628.84 | 27,528.25 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/08/05 | 12/20/35 | 921,238.86 | 958,690.75 | | | (4,636.04) | | 916,602.82 | 984,214.84 | 30,160.13 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/15/05 | 12/20/35 | 847,845.15 | 885,101.38 | | | (4,643.60) | | 843,201.55 | 908,845.47 | 28,387.69 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/03/05 | 11/20/35 | 241,329.07 | 251,922.94 | | | (1,577.24) | | 239,751.83 | 258,405.76 | 8,060.06 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/10/05 | 11/20/35 | 1,465,442.42 | 1,529,781.63 | | | (7,748.14) | | 1,457,694.28 | 1,571,119.83 | 49,086.34 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/17/05 | 11/20/35 | 1,174,164.97 | 1,221,869.66 | | | (6,301.92) | | 1,167,863.05 | 1,253,979.82 | 38,412.08 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/22/05 | 11/20/35 | 679,701.11 | 707,319.97 | | | (3,566.03) | | 676,135.08 | 725,995.35 | 22,241.41 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/29/05 | 11/20/35 | 1,023,401.81 | 1,068,351.92 | | | (5,303.37) | | 1,018,098.44 | 1,097,336.11 | 34,287.56 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/22/05 | 12/20/35 | 1,190,436.06 | 1,242,754.07 | | | (6,198.60) | | 1,184,237.46 | 1,276,439.07 | 39,883.60 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/29/05 | 12/20/35 | 1,744,601.76 | 1,815,561.36 | | | (9,038.66) | | 1,735,563.10 | 1,863,620.42 | 57,097.72 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/05/06 | 01/20/36 | 1,407,453.88 | 1,459,727.52 | | | (90,437.46) | | 1,317,016.42 | 1,412,145.84 | 42,855.78 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/12/06 | 01/20/36 | 1,401,229.05 | 1,457,907.74 | | | (6,751.34) | | 1,394,477.71 | 1,500,928.43 | 49,772.03 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/09/06 | 02/20/36 | 987,226.78 | 1,023,956.02 | | | (5,495.03) | | 981,731.75 | 1,052,708.07 | 34,247.08 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/02/06 | 02/20/36 | 1,318,903.88 | 1,367,964.67 | | | (6,816.48) | | 1,312,087.40 | 1,406,938.90 | 45,790.71 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/19/06 | 01/20/36 | 717,413.01 | 744,067.16 | | | (4,003.24) | | 713,409.77 | 764,950.14 | 24,886.22 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/26/06 | 01/20/36 | 1,027,343.77 | 1,065,519.28 | | | (5,091.82) | | 1,022,251.95 | 1,096,111.29 | 35,683.83 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/02/06 | 02/20/36 | 2,194,206.88 | 2,275,767.63 | | | (11,561.80) | | 2,182,645.08 | 2,340,370.65 | 76,164.82 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/09/06 | 02/20/36 | 994,803.38 | 1,031,788.45 | | | (5,174.50) | | 989,628.88 | 1,061,149.34 | 34,535.39 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/16/06 | 02/20/36 | 1,558,884.76 | 1,616,851.20 | | | (9,262.95) | | 1,549,621.81 | 1,661,624.72 | 54,036.47 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/23/06 | 02/20/36 | 1,570,175.77 | 1,628,571.96 | | | (7,572.85) | | 1,562,602.92 | 1,675,554.21 | 54,555.10 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/11/06 | 04/20/36 | 827,580.57 | 858,427.45 | | | (4,172.61) | | 823,407.96 | 882,996.76 | 28,741.92 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/11/06 | 05/20/36 | 371,501.69 | 386,577.44 | | | (2,481.91) | | 369,019.78 | 397,240.30 | 13,144.77 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/18/06 | 05/20/36 | 841,677.64 | 873,058.81 | | | (4,372.68) | | 837,304.96 | 897,909.45 | 29,223.32 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/18/06 | 05/20/36 | 332,987.82 | 346,502.77 | | | (1,787.81) | | 331,200.01 | 356,530.47 | 11,815.51 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/16/06 | 03/20/36 | 597,434.50 | 621,641.76 | | | (3,035.83) | | 594,398.67 | 639,816.20 | 21,210.27 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/23/06 | 03/20/36 | 1,338,812.22 | 1,388,645.86 | | | (6,890.34) | | 1,331,921.88 | 1,428,240.45 | 46,484.93 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/30/06 | 03/20/36 | 1,086,052.42 | 1,126,484.59 | | | (5,532.25) | | 1,080,520.17 | 1,158,666.69 | 37,714.35 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/06/06 | 03/20/36 | 1,270,033.25 | 1,317,324.02 | | | (7,821.67) | | 1,262,211.58 | 1,353,506.72 | 44,004.37 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/13/06 | 03/20/36 | 954,933.29 | 990,497.12 | | | (8,772.95) | | 946,160.34 | 1,014,601.86 | 32,877.69 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/20/06 | 04/20/36 | 1,274,906.17 | 1,322,401.14 | | | (98,644.70) | | 1,176,261.47 | 1,261,361.60 | 37,605.16 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/27/06 | 04/20/36 | 594,820.76 | 616,983.77 | | | (4,236.20) | | 590,584.56 | 633,315.98 | 20,568.41 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/05/06 | 04/20/36 | 1,051,361.04 | 1,094,014.89 | | | (5,847.25) | | 1,045,513.79 | 1,125,457.39 | 37,289.75 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/25/06 | 05/20/36 | 953,023.79 | 988,563.35 | | | (5,306.09) | | 947,717.70 | 1,016,320.05 | 33,062.79 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 06/01/06 | 06/20/36 | 1,138,158.76 | 1,184,373.47 | | | (107,777.49) | | 1,030,381.27 | 1,109,204.74 | 32,608.76 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 06/08/06 | 06/20/36 | 1,405,884.87 | 1,458,337.36 | | | (7,215.42) | | 1,398,669.45 | 1,499,940.63 | 48,818.69 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 06/15/06 | 06/20/36 | 898,014.57 | 934,490.55 | | | (88,330.29) | | 809,684.28 | 871,636.02 | 25,475.76 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 06/27/06 | 06/20/36 | 1,544,544.83 | 1,607,299.74 | | | (8,819.56) | | 1,535,725.27 | 1,653,245.64 | 54,765.46 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2005 Single Family | 4.49 | 07/06/06 | 07/20/36 | 758,775.76 | 789,614.45 | | | (5,833.68) | | 752,942.08 | 810,571.15 | 26,790.38 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 07/13/06 | 06/20/36 | 1,141,939.97 | 1,188,355.04 | | | (5,994.96) | | 1,135,945.01 | 1,222,890.98 | 40,530.90 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 07/19/06 | 06/20/36 | 1,579,843.75 | 1,638,847.78 | | | (8,482.68) | | 1,571,361.07 | 1,685,199.02 | 54,833.92 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 07/27/06 | 07/20/36 | 1,142,292.95 | 1,188,742.78 | | | (5,360.21) | | 1,136,932.74 | 1,223,975.33 | 40,592.76 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/02/06 | 08/20/36 | 581,415.76 | 605,063.79 | | | (2,720.31) | | 578,695.45 | 623,006.18 | 20,662.70 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/09/06 | 08/20/36 | 1,362,994.62 | 1,418,441.93 | | | (7,251.96) | | 1,355,742.66 | 1,459,560.74 | 48,370.77 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/16/06 | 07/20/36 | 774,582.78 | 803,536.22 | | | (3,702.01) | | 770,880.77 | 826,752.59 | 26,918.38 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 08/23/06 | 07/20/36 | 509,517.85 | 530,249.59 | | | (3,102.36) | | 506,415.49 | 545,200.02 | 18,052.79 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 09/06/06 | 08/20/36 | 689,843.76 | 717,925.07 | | | (3,291.51) | | 686,552.25 | 739,145.44 | 24,511.88 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 09/12/06 | 08/20/36 | 432,912.72 | 450,537.97 | | | (2,089.80) | | 430,822.92 | 463,828.40 | 15,380.23 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 09/26/06 | 09/20/36 | 305,479.44 | 317,921.91 | | | (1,387.89) | | 304,091.55 | 327,393.71 | 10,859.69 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 10/17/06 | 10/20/36 | 822,470.50 | 855,990.44 | | | (4,033.63) | | 818,436.87 | 881,173.17 | 29,216.36 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/14/06 | 10/20/36 | 723,522.93 | 753,029.99 | | | (3,375.66) | | 720,147.27 | 775,369.63 | 25,715.30 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/28/06 | 10/20/36 | 208,089.64 | 216,578.91 | | | (955.09) | | 207,134.55 | 223,021.00 | 7,397.18 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/12/06 | 10/20/36 | 239,020.56 | 248,774.96 | | | (1,089.74) | | 237,930.82 | 256,182.58 | 8,497.36 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/16/07 | 12/20/36 | 108,575.51 | 113,011.05 | | | (486.25) | | 108,089.26 | 116,385.56 | 3,860.76 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/30/07 | 12/20/36 | 125,198.02 | 129,154.91 | | | (567.85) | | 124,630.17 | 133,015.12 | 4,428.06 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/13/07 | 01/20/37 | 299,680.84 | 312,587.19 | | | (1,381.49) | | 298,299.35 | 321,669.12 | 10,463.42 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 02/20/07 | 02/20/37 | 217,772.04 | 227,160.72 | | | (1,018.17) | | 216,753.87 | 233,745.51 | 7,602.96 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/20/07 | 01/20/37 | 149,811.58 | 155,974.88 | | | (667.80) | | 149,143.78 | 160,506.41 | 5,199.33 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/24/07 | 03/20/37 | 269,711.36 | 280,818.45 | | | (1,178.42) | | 268,532.94 | 289,002.73 | 9,362.70 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 04/10/07 | 02/20/37 | 258,719.67 | 269,369.78 | | | (1,149.23) | | 257,570.44 | 277,200.12 | 8,979.57 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 05/22/07 | 04/20/37 | 247,077.89 | 256,439.33 | | | (1,076.18) | | 246,001.71 | 263,745.45 | 8,382.30 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 06/05/07 | 05/20/37 | 311,303.86 | 324,138.88 | | | (1,383.14) | | 309,920.72 | 333,561.30 | 10,805.56 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 07/03/07 | 06/20/37 | 113,969.68 | 118,672.22 | | | (489.42) | | 113,480.26 | 122,140.04 | 3,957.24 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 11/21/07 | 09/20/37 | 228,680.79 | 238,261.42 | | | (964.21) | | 227,716.58 | 245,241.78 | 7,944.57 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 09/25/07 | 04/20/37 | 110,277.19 | 114,888.80 | | | (824.17) | | 109,453.02 | 117,867.88 | 3,803.25 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 12/11/07 | 08/20/37 | 133,543.20 | 139,140.40 | | | (566.28) | | 132,976.92 | 143,213.35 | 4,639.23 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/30/08 | 01/20/38 | 196,749.96 | 204,058.62 | | | (813.33) | | 195,936.63 | 210,924.55 | 7,679.26 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 01/30/08 | 01/20/38 | 116,764.38 | 120,712.21 | | | (481.44) | | 116,282.94 | 124,694.64 | 4,463.87 | 0.00 |
| GNMA | 2005 Single Family | 4.49 | 03/26/08 | 03/20/38 | 355,499.49 | 368,728.36 | | | (1,464.77) | | 354,034.72 | 381,140.04 | 13,876.45 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 10/20/05 | 10/01/35 | 151,202.64 | 156,215.05 | | | (758.75) | | 150,443.89 | 159,656.25 | 4,199.95 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 11/10/05 | 11/01/35 | 109,578.56 | 113,212.35 | | | (929.39) | | 108,649.17 | 115,303.38 | 3,020.42 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 12/15/05 | 12/01/35 | 151,175.08 | 156,190.67 | | | (1,185.19) | | 149,989.89 | 159,178.62 | 4,173.14 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 01/05/06 | 12/01/35 | 325,863.14 | 336,677.07 | | | (1,852.08) | | 324,011.06 | 343,863.42 | 9,038.43 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 02/09/06 | 02/01/36 | 176,051.11 | 181,350.37 | | | (1,416.21) | | 174,634.90 | 185,001.49 | 5,067.33 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 02/23/06 | 01/01/36 | 230,864.66 | 237,814.87 | | | (1,141.66) | | 229,723.00 | 243,360.51 | 6,687.30 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 03/16/06 | 03/01/36 | 356,562.61 | 367,301.35 | | | (2,439.37) | | 354,123.24 | 375,150.60 | 10,288.62 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 04/06/06 | 03/01/36 | 252,335.95 | 259,937.73 | | | (1,198.49) | | 251,137.46 | 266,051.80 | 7,312.56 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 04/20/06 | 04/01/36 | 355,385.04 | 366,093.83 | | | (1,739.32) | | 353,645.72 | 374,650.38 | 10,295.87 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 05/11/06 | 04/01/36 | 275,554.35 | 283,860.20 | | | (1,717.01) | | 273,837.34 | 290,104.46 | 7,961.27 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 06/08/06 | 04/01/36 | 261,843.76 | 269,739.29 | | | (133,028.48) | | 128,815.28 | 136,468.94 | (241.87) | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 06/27/06 | 06/01/36 | 158,391.91 | 163,169.80 | | | (745.69) | | 157,646.22 | 167,014.77 | 4,590.66 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 07/13/06 | 06/01/36 | 332,305.93 | 342,332.01 | | | (1,740.49) | | 330,565.44 | 350,212.27 | 9,620.75 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 07/19/06 | 07/01/36 | 298,926.46 | 307,946.97 | | | (1,506.24) | | 297,420.22 | 315,098.67 | 8,657.94 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 08/02/06 | 07/01/36 | 337,776.04 | 347,970.65 | | | (1,579.93) | | 336,196.11 | 356,181.17 | 9,790.45 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 08/09/06 | 07/01/36 | 199,019.70 | 205,027.06 | | | (81,135.67) | | 117,884.03 | 124,892.01 | 1,000.62 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 09/12/06 | 08/01/36 | 265,090.68 | 273,096.47 | | | (1,244.56) | | 263,846.12 | 279,535.41 | 7,683.50 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 10/17/06 | 09/01/36 | 196,365.31 | 202,298.83 | | | (1,445.98) | | 194,919.33 | 206,513.30 | 5,660.45 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 11/14/06 | 10/01/36 | 373,962.92 | 385,267.87 | | | (34,525.10) | | 339,437.82 | 359,632.53 | 8,889.76 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 11/21/06 | 10/01/36 | 257,010.26 | 264,780.54 | | | (6,279.13) | | 250,731.13 | 265,649.10 | 7,147.69 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 12/12/06 | 11/01/36 | 293,503.51 | 302,380.15 | | | (1,756.22) | | 291,747.29 | 309,108.75 | 8,484.82 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 01/30/07 | 11/01/36 | 50,357.94 | 51,881.98 | | | (412.93) | | 49,945.01 | 52,918.22 | 1,449.17 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 02/13/07 | 01/01/37 | 55,354.52 | 56,914.61 | | | (251.82) | | 55,102.70 | 58,332.21 | 1,669.42 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 03/20/07 | 02/01/37 | 155,300.78 | 159,550.94 | | | (707.15) | | 154,593.63 | 163,513.42 | 4,669.63 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 04/10/07 | 01/01/37 | 209,493.34 | 215,228.11 | | | (949.82) | | 208,543.52 | 220,577.66 | 6,299.37 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 04/24/07 | 04/01/37 | 355,949.88 | 365,697.45 | | | (1,574.51) | | 354,375.37 | 374,828.56 | 10,705.62 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 05/22/07 | 04/01/37 | 215,864.21 | 221,778.07 | | | (949.74) | | 214,914.47 | 227,321.07 | 6,492.74 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 06/05/07 | 05/01/37 | 253,823.16 | 260,779.01 | | | (1,114.19) | | 252,708.97 | 267,299.21 | 7,634.39 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 07/03/07 | 06/01/37 | 513,258.42 | 527,330.83 | | | (2,266.15) | | 510,992.27 | 540,501.67 | 15,436.99 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2005 Single Family | 4.49 | 09/25/07 | 09/01/37 | 346,050.61 | 357,185.82 | | | (1,483.26) | | 344,567.35 | 366,138.88 | 10,436.32 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 11/08/07 | 09/01/37 | 338,895.86 | 351,533.94 | | | (1,811.26) | | 337,084.60 | 359,966.52 | 10,243.84 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 11/21/07 | 09/01/37 | 139,348.71 | 144,546.87 | | | (590.06) | | 138,758.65 | 148,179.47 | 4,222.66 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 12/11/07 | 11/01/37 | 310,666.55 | 322,262.60 | | | (1,425.36) | | 309,241.19 | 330,244.02 | 9,406.78 | 0.00 |
| FNMA | 2005 Single Family | 4.49 | 03/26/08 | 02/01/38 | 581,287.50 | 602,069.33 | | | (3,411.18) | | 577,876.32 | 616,326.57 | 17,668.42 | 0.00 |
| | **2005 Single Family Total** | | | | 75,701,708.76 | 78,512,333.88 | 4,301,963.29 | (2,489,191.76) | (999,751.10) | 0.00 | 76,514,729.19 | 81,749,685.08 | 2,424,330.77 | 0.00 |
| | **Total Single Family Investment Summary** | | | | 936,012,564.67 | 994,228,660.13 | 60,162,360.71 | (39,047,841.28) | (32,123,525.46) | 0.00 | 925,003,558.64 | 995,065,263.21 | 11,845,609.11 | 0.00 |

# Texas Department of Housing and Community Affairs
## Residential Mortgage Revenue Bonds Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | 1989 A&B RMRB | 0.20 | 08/31/10 | 09/01/10 | 2,725.84 | 2,725.84 | 1.19 | | | | 2,727.03 | 2,727.03 | - | 0.00 |
| | **1989 A&B RMRB Total** | | | | 2,725.84 | 2,725.84 | 1.19 | 0.00 | 0.00 | 0.00 | 2,727.03 | 2,727.03 | 0.00 | 0.00 |
| Repo Agmt | 1998 A/B RMRB | 0.20 | 08/31/10 | 09/01/10 | 147,718.42 | 147,718.42 | 433,760.24 | | | | 581,478.66 | 581,478.66 | - | 0.00 |
| GIC's | 1998 A/B RMRB | 5.04 | 12/03/98 | 01/01/31 | 2,604,314.49 | 2,604,314.49 | | (1,767,459.45) | | | 836,855.04 | 836,855.04 | - | 0.00 |
| GIC's | 1998 A/B RMRB | 5.04 | 12/03/98 | 01/01/31 | 3,280,671.50 | 3,280,671.50 | 500,472.68 | | | | 3,781,144.18 | 3,781,144.18 | - | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 07/28/00 | 07/20/30 | 867,075.45 | 936,207.36 | | | (7,611.68) | | 859,463.77 | 933,704.25 | 5,108.57 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 08/28/00 | 07/20/30 | 1,927,526.69 | 2,081,208.39 | | | (15,617.44) | | 1,911,909.25 | 2,077,059.96 | 11,469.01 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 05/25/99 | 04/01/29 | 68,594.42 | 73,345.96 | | | (500.04) | | 68,094.38 | 73,420.05 | 574.13 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 04/16/99 | 04/20/29 | 575,819.33 | 621,786.88 | | | (41,629.26) | | 534,190.07 | 580,445.48 | 287.86 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 06/22/99 | 05/01/29 | 96,444.26 | 103,124.89 | | | (60,369.22) | | 36,075.04 | 38,896.41 | (3,859.26) | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 05/25/99 | 05/20/29 | 2,180,309.20 | 2,354,363.22 | | | (20,692.52) | | 2,159,616.68 | 2,346,617.82 | 12,947.12 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 06/22/99 | 06/20/29 | 2,882,868.25 | 3,113,007.54 | | | (94,329.78) | | 2,788,538.47 | 3,029,997.96 | 11,320.20 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 07/30/99 | 07/01/29 | 66,850.10 | 71,480.78 | | | (546.11) | | 66,303.99 | 71,489.60 | 554.93 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 08/24/99 | 08/01/29 | 126,623.45 | 135,394.65 | | | (1,062.10) | | 125,561.35 | 135,381.50 | 1,048.95 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 07/30/99 | 07/20/29 | 2,285,972.18 | 2,468,461.26 | | | (122,363.81) | | 2,163,608.37 | 2,350,955.13 | 4,857.68 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 08/26/99 | 08/20/29 | 1,590,682.14 | 1,717,666.34 | | | (13,765.03) | | 1,576,917.11 | 1,713,462.38 | 9,561.07 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 09/30/99 | 08/01/29 | 165,932.51 | 177,426.65 | | | (1,228.52) | | 164,703.99 | 177,585.48 | 1,387.35 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 09/20/99 | 09/20/29 | 1,720,306.86 | 1,857,638.94 | | | (151,067.16) | | 1,569,239.70 | 1,705,120.18 | (1,451.60) | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 10/29/99 | 10/01/29 | 158,671.41 | 169,662.62 | | | (3,144.69) | | 155,526.72 | 167,690.51 | 1,172.58 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 11/16/99 | 10/01/29 | 184,916.98 | 197,726.17 | | | (1,483.97) | | 183,433.01 | 197,779.30 | 1,537.10 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 12/21/99 | 11/01/29 | 253,738.08 | 271,314.48 | | | (9,255.86) | | 244,482.22 | 263,603.13 | 1,544.51 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 10/29/99 | 10/20/29 | 1,962,416.84 | 2,119,076.57 | | | (91,422.48) | | 1,870,994.36 | 2,033,003.75 | 5,349.66 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 11/18/99 | 11/20/29 | 2,282,328.48 | 2,464,526.77 | | | (18,849.92) | | 2,263,478.56 | 2,459,473.16 | 13,796.31 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 12/30/99 | 12/20/29 | 3,495,639.59 | 3,774,696.43 | | | (118,956.30) | | 3,376,683.29 | 3,669,070.17 | 13,330.04 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 01/28/00 | 01/20/30 | 1,882,161.26 | 2,032,225.90 | | | (110,531.14) | | 1,771,630.12 | 1,924,663.49 | 2,968.73 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 02/22/00 | 01/20/30 | 2,048,525.26 | 2,211,854.18 | | | (20,725.43) | | 2,027,799.83 | 2,202,961.16 | 11,832.41 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 03/27/00 | 03/20/30 | 1,256,686.08 | 1,356,881.62 | | | (51,314.05) | | 1,205,372.03 | 1,309,492.03 | 3,924.46 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 02/23/00 | 01/01/30 | 349,619.69 | 373,837.80 | | | (4,238.68) | | 345,381.01 | 372,393.20 | 2,794.08 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 03/27/00 | 02/01/30 | 217,939.94 | 232,637.80 | | | (5,114.45) | | 212,825.49 | 229,453.54 | 1,930.19 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 04/21/00 | 04/01/30 | 280,162.05 | 299,056.17 | | | (77,977.16) | | 202,184.89 | 217,981.59 | (3,097.42) | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 04/24/00 | 04/20/30 | 1,455,994.03 | 1,572,080.49 | | | (11,953.13) | | 1,444,040.90 | 1,568,777.19 | 8,649.83 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 05/30/00 | 05/20/30 | 1,222,404.15 | 1,319,866.37 | | | (13,883.05) | | 1,208,521.10 | 1,312,913.10 | 6,929.78 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 06/21/00 | 06/20/30 | 1,046,040.64 | 1,129,441.47 | | | (8,791.36) | | 1,037,249.28 | 1,126,846.90 | 6,196.79 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 05/30/00 | 05/01/30 | 275,401.68 | 293,974.75 | | | (8,358.38) | | 267,043.30 | 287,907.37 | 2,291.00 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 06/21/00 | 06/01/30 | 86,134.16 | 91,943.04 | | | (2,015.76) | | 84,118.40 | 90,690.56 | 763.28 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 10/23/00 | 09/20/30 | 1,467,074.55 | 1,584,044.36 | | | (11,452.26) | | 1,455,622.29 | 1,581,358.91 | 8,766.81 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 10/25/00 | 10/20/30 | 391,863.63 | 423,106.92 | | | (3,822.51) | | 388,041.12 | 421,560.12 | 2,275.71 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 07/24/00 | 06/01/30 | 354,143.81 | 378,027.26 | | | (3,735.47) | | 350,408.34 | 377,785.74 | 3,493.95 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 08/25/00 | 07/01/30 | 174,837.33 | 186,628.35 | | | (2,724.93) | | 172,112.40 | 185,559.54 | 1,656.12 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 01/08/01 | 12/20/30 | 258,005.05 | 278,575.78 | | | (3,304.69) | | 254,700.36 | 276,701.37 | 1,430.28 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 01/16/01 | 12/20/30 | 174,885.77 | 188,829.40 | | | (1,962.95) | | 172,922.82 | 187,859.89 | 993.44 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 01/31/01 | 08/20/30 | 56,195.49 | 60,675.90 | | | (369.78) | | 55,825.71 | 60,647.88 | 341.76 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 11/16/00 | 11/20/30 | 268,645.28 | 290,064.35 | | | (4,742.99) | | 263,902.29 | 286,698.15 | 1,376.79 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 11/29/00 | 11/20/30 | 534,767.40 | 577,404.37 | | | (4,231.17) | | 530,536.23 | 576,363.93 | 3,190.73 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 12/21/00 | 11/20/30 | 124,170.04 | 134,070.11 | | | (823.78) | | 123,346.26 | 134,000.90 | 754.57 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.35 | 12/27/00 | 12/20/30 | 272,797.03 | 294,547.13 | | | (1,802.58) | | 270,994.45 | 294,402.94 | 1,658.39 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 10/06/00 | 09/01/30 | 318,568.99 | 340,053.23 | | | (70,631.03) | | 247,937.96 | 267,309.29 | (2,112.91) | 0.00 |
| FNMA | 1998 A/B RMRB | 5.35 | 01/12/01 | 12/01/30 | 356,434.86 | 380,472.78 | | | (3,243.64) | | 353,191.22 | 380,785.99 | 3,556.85 | 0.00 |
| Repo Agmt | 1998 A/B RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,000,900.14 | 1,000,900.14 | | (364,749.25) | | | 636,150.89 | 636,150.89 | - | 0.00 |
| Repo Agmt | 1998 A/B RMRB | 0.20 | 08/31/10 | 09/01/10 | | | 21,029.98 | | | | 21,029.98 | 21,029.98 | - | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 01/12/06 | 01/20/36 | 25,862.50 | 28,125.10 | | | (105.24) | | 25,757.26 | 28,159.24 | 139.38 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 03/09/06 | 03/20/36 | 16,475.08 | 17,917.32 | | | (106.33) | | 16,368.75 | 17,896.10 | 85.11 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 03/02/06 | 03/20/36 | 18,139.19 | 19,726.96 | | | (73.57) | | 18,065.62 | 19,751.18 | 97.79 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 02/23/06 | 02/20/36 | 31,189.63 | 33,919.52 | | | (1,289.83) | | 29,899.80 | 32,689.28 | 59.59 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 03/16/06 | 03/20/36 | 18,153.61 | 19,742.85 | | | (93.16) | | 18,060.45 | 19,745.73 | 96.04 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 1998 A/B RMRB | 5.49 | 03/30/06 | 03/20/36 | 29,011.88 | 31,497.12 | | | (123.33) | | 28,888.55 | 31,530.17 | 156.38 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.49 | 04/06/06 | 04/20/36 | 27,935.78 | 30,382.09 | | | (130.86) | | 27,804.92 | 30,400.18 | 148.95 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.49 | 04/27/06 | 03/01/36 | 16,240.82 | 17,412.17 | | | (65.84) | | 16,174.98 | 17,412.81 | 66.48 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 10/29/09 | 09/20/39 | 3,632.71 | 3,964.46 | | | (11.91) | | 3,620.80 | 3,970.89 | 18.34 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 11/24/09 | 11/20/39 | 23,075.63 | 25,183.52 | | | (75.31) | | 23,000.32 | 25,224.79 | 116.58 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 11/24/09 | 09/20/39 | 2,271.50 | 2,478.98 | | | (6.63) | | 2,264.87 | 2,483.91 | 11.56 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 05/25/10 | 04/20/40 | 10,765.13 | 11,750.82 | | | (30.31) | | 10,734.82 | 11,776.12 | 55.61 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 05/25/10 | 04/20/40 | 6,629.45 | 7,236.47 | | | (18.52) | | 6,610.93 | 7,252.21 | 34.26 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 12/17/09 | 11/20/39 | 30,735.79 | 33,544.14 | | | (111.74) | | 30,624.05 | 33,586.57 | 154.17 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 12/17/09 | 10/20/39 | 2,269.16 | 2,476.51 | | | (6.57) | | 2,262.59 | 2,481.48 | 11.54 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 12/29/09 | 12/20/39 | 41,665.18 | 45,472.71 | | | (129.26) | | 41,535.92 | 45,554.65 | 211.20 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 12/29/09 | 12/20/39 | 11,955.92 | 13,048.50 | | | (40.16) | | 11,915.76 | 13,068.64 | 60.30 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 12/29/09 | 11/20/39 | 4,527.01 | 4,940.71 | | | (15.65) | | 4,511.36 | 4,947.84 | 22.78 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 01/20/10 | 12/20/39 | 26,831.75 | 29,284.39 | | | (81.85) | | 26,749.90 | 29,338.65 | 136.11 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 01/27/10 | 12/20/39 | 3,484.10 | 3,802.60 | | | (9.99) | | 3,474.11 | 3,810.35 | 17.74 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 01/20/10 | 12/20/39 | 4,044.75 | 4,414.47 | | | (11.60) | | 4,033.15 | 4,423.46 | 20.59 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 01/27/10 | 01/20/40 | 51,587.81 | 56,304.81 | | | (161.04) | | 51,426.77 | 56,408.74 | 264.97 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 01/27/10 | 12/20/39 | 5,393.02 | 5,886.02 | | | (15.55) | | 5,377.47 | 5,897.92 | 27.45 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 02/17/10 | 01/20/40 | 34,398.26 | 37,544.28 | | | (97.54) | | 34,300.72 | 37,624.38 | 177.64 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 02/17/10 | 12/20/39 | 22,444.49 | 24,496.77 | | | (65.04) | | 22,379.45 | 24,545.93 | 114.20 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 02/17/10 | 12/20/39 | 3,054.25 | 3,333.53 | | | (8.74) | | 3,045.51 | 3,340.34 | 15.55 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 02/23/10 | 02/20/40 | 34,727.11 | 37,903.41 | | | (100.97) | | 34,626.14 | 37,981.55 | 179.11 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 02/23/10 | 01/20/40 | 8,114.26 | 8,856.43 | | | (23.75) | | 8,090.51 | 8,874.52 | 41.84 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/16/10 | 02/20/40 | 33,041.64 | 36,064.56 | | | (99.99) | | 32,941.65 | 36,134.59 | 170.02 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/16/10 | 02/20/40 | 3,394.86 | 3,705.46 | | | (11.18) | | 3,383.68 | 3,711.65 | 17.37 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/16/10 | 12/20/39 | 2,097.86 | 2,289.73 | | | (6.01) | | 2,091.85 | 2,294.42 | 10.70 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/30/10 | 01/20/40 | 16,240.21 | 17,726.23 | | | (46.46) | | 16,193.75 | 17,763.60 | 83.83 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/30/10 | 02/20/40 | 7,012.47 | 7,654.12 | | | (19.92) | | 6,992.55 | 7,670.42 | 36.22 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 03/30/10 | 12/20/39 | 1,799.74 | 1,964.38 | | | (5.16) | | 1,794.58 | 1,968.38 | 9.16 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 04/22/10 | 03/20/40 | 12,885.84 | 14,065.25 | | | (38.13) | | 12,847.71 | 14,093.52 | 66.40 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 04/22/10 | 04/20/40 | 5,655.82 | 6,173.48 | | | (16.34) | | 5,639.48 | 6,186.31 | 29.17 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/15/10 | 04/20/40 | | | 6,598.15 | | | | 6,598.15 | 7,238.34 | 640.19 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/15/10 | 03/20/40 | | | 4,359.83 | | | | 4,359.83 | 4,782.84 | 423.01 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 07/20/10 | 07/20/40 | | | 20,218.01 | | | | 20,218.01 | 22,180.44 | 1,962.43 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 07/28/10 | 07/20/40 | | | 14,604.46 | | | | 14,604.46 | 16,022.15 | 1,417.69 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 07/28/10 | 06/20/40 | | | 5,097.37 | | | | 5,097.37 | 5,592.18 | 494.81 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 07/28/10 | 07/20/40 | | | 43,442.34 | | | | 43,442.34 | 47,659.39 | 4,217.05 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 08/17/10 | 08/20/40 | | | 74,635.82 | | | | 74,635.82 | 81,882.48 | 7,246.66 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 08/17/10 | 06/20/40 | | | 6,194.02 | | | | 6,194.02 | 6,795.42 | 601.40 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 08/17/10 | 05/20/40 | | | 980.74 | | | | 980.74 | 1,075.97 | 95.23 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 08/17/10 | 05/20/40 | | | 1,229.94 | | | | 1,229.94 | 1,349.36 | 119.42 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 08/24/10 | 08/20/40 | | | 58,572.90 | | | | 58,572.90 | 64,260.40 | 5,687.50 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/22/10 | 04/20/40 | | | 2,215.09 | | | | 2,215.09 | 2,430.04 | 214.95 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/22/10 | 06/20/40 | | | 29,492.83 | | | | 29,492.83 | 32,354.62 | 2,861.79 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/22/10 | 05/20/40 | | | 11,926.64 | | | | 11,926.64 | 13,083.92 | 1,157.28 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/22/10 | 05/20/40 | | | 3,880.33 | | | | 3,880.33 | 4,256.85 | 376.52 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 04/20/40 | | | 1,374.27 | | | | 1,374.27 | 1,507.62 | 133.35 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 29,373.02 | | | | 29,373.02 | 32,223.40 | 2,850.38 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 11,563.53 | | | | 11,563.53 | 12,685.66 | 1,122.13 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 3,108.69 | | | | 3,108.69 | 3,410.36 | 301.67 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 05/20/40 | | | 2,846.15 | | | | 2,846.15 | 3,122.35 | 276.20 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 10,499.53 | | | | 10,499.53 | 11,518.41 | 1,018.88 | 0.00 |
| GNMA | 1998 A/B RMRB | 5.75 | 07/20/10 | 06/20/40 | | | 24,781.63 | | | | 24,781.63 | 27,187.03 | 2,405.40 | 0.00 |
| FNMA | 1998 A/B RMRB | 5.75 | 08/17/10 | 05/01/40 | | | 1,107.69 | | | | 1,107.69 | 1,198.90 | 91.21 | 0.00 |
| | **1998 A/B RMRB Total** | | | | 45,396,523.15 | 48,422,309.85 | 1,323,365.88 | (2,132,208.70) | (1,204,899.74) | 0.00 | 43,382,780.59 | 46,610,348.40 | 201,781.11 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2000 BCDE RMRB | 0.20 | 08/31/10 | 09/01/10 | 219,822.08 | 219,822.08 | 101.04 | | | | 219,923.12 | 219,923.12 | - | 0.00 |
| Repo Agmt | 2000 BCDE RMRB | | | | 22.82 | 22.82 | | (22.82) | | | | | - | 0.00 |
| Repo Agmt | 2000 BCDE RMRB | 0.20 | 08/31/10 | 09/01/10 | 2,685,108.43 | 2,685,108.43 | | (2,648,348.73) | | | 36,759.70 | 36,759.70 | - | 0.00 |
| Repo Agmt | 2000 BCDE RMRB | | | | 1,228.19 | 1,228.19 | | (1,228.19) | | | | | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | 2000 BCDE RMRB | 0.20 | 08/31/10 | 09/01/10 | 483,386.22 | 483,386.22 | (245,294.24) | | | | 238,091.98 | 238,091.98 | - | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 636,875.96 | 706,129.14 | | (635,549.17) | (1,326.79) | | | | (69,253.18) | 62,076.05 |
| GNMA | 2000 BCDE RMRB | | | | 169,127.57 | 187,517.88 | | (168,719.11) | (408.46) | | | | (18,390.31) | 16,479.09 |
| GNMA | 2000 BCDE RMRB | | | | 109,777.35 | 121,713.69 | | (109,566.90) | (210.45) | | | | (11,936.34) | 10,700.75 |
| GNMA | 2000 BCDE RMRB | | | | 106,280.63 | 117,837.95 | | (106,080.69) | (199.94) | | | | (11,557.32) | 10,361.45 |
| GNMA | 2000 BCDE RMRB | | | | 870,283.74 | 964,921.33 | | (868,379.98) | (1,903.76) | | | | (94,637.59) | 84,819.90 |
| GNMA | 2000 BCDE RMRB | 6.10 | 03/07/01 | 02/20/31 | 88,895.67 | 98,562.48 | | | (556.36) | | 88,339.31 | 97,975.37 | (30.75) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 219,396.54 | 243,255.88 | | (218,981.49) | (415.05) | | | | (23,859.34) | 21,390.43 |
| GNMA | 2000 BCDE RMRB | | | | 638,041.06 | 707,428.00 | | (636,681.96) | (1,359.10) | | | | (69,386.94) | 62,192.59 |
| GNMA | 2000 BCDE RMRB | 6.10 | 03/29/01 | 03/20/31 | 25,285.71 | 28,035.67 | | | (146.61) | | 25,139.10 | 27,881.58 | (7.48) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 234,511.57 | 260,016.05 | | (233,865.86) | (645.71) | | | | (25,504.48) | 22,846.39 |
| GNMA | 2000 BCDE RMRB | 6.10 | 04/16/01 | 03/20/31 | 101,545.49 | 112,589.70 | | | (598.71) | | 100,946.78 | 111,959.88 | (31.11) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 388,980.35 | 431,288.05 | | (388,140.00) | (840.35) | | | | (42,307.70) | 37,920.53 |
| GNMA | 2000 BCDE RMRB | | | | 321,321.73 | 356,271.83 | | (320,387.26) | (934.47) | | | | (34,950.10) | 31,303.32 |
| GNMA | 2000 BCDE RMRB | | | | 431,191.95 | 478,092.73 | | (430,284.01) | (907.94) | | | | (46,900.78) | 42,039.70 |
| GNMA | 2000 BCDE RMRB | 6.10 | 04/30/01 | 04/20/31 | 90,251.60 | 100,068.28 | | | (511.39) | | 89,740.21 | 99,531.48 | (25.41) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 156,253.36 | 173,250.24 | | (155,843.15) | (410.21) | | | | (16,996.88) | 15,227.39 |
| GNMA | 2000 BCDE RMRB | | | | 236,461.30 | 262,183.08 | | (235,957.07) | (504.23) | | | | (25,721.78) | 23,055.41 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/22/01 | 04/20/31 | 103,271.65 | 114,505.31 | | | (660.83) | | 102,610.82 | 113,807.16 | (37.32) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 901,602.65 | 999,677.01 | | (899,557.52) | (2,045.13) | | | | (98,074.36) | 87,896.14 |
| GNMA | 2000 BCDE RMRB | | | | 107,850.43 | 119,582.64 | | (107,646.34) | (204.09) | | | | (11,732.21) | 10,518.51 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/30/01 | 05/20/31 | 44,086.06 | 48,881.93 | | | (308.11) | | 43,777.95 | 48,555.05 | (18.77) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 231,140.34 | 256,284.79 | | (230,603.58) | (536.76) | | | | (25,144.45) | 22,533.93 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/30/01 | 05/20/31 | 44,840.86 | 49,718.85 | | | (277.46) | | 44,563.40 | 49,426.22 | (15.17) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 123,650.29 | 137,102.31 | | (123,400.81) | (249.48) | | | | (13,452.02) | 12,059.04 |
| GNMA | 2000 BCDE RMRB | | | | 709,136.37 | 786,284.16 | | (707,359.97) | (1,776.40) | | | | (77,147.79) | 69,126.40 |
| GNMA | 2000 BCDE RMRB | 6.10 | 06/18/01 | 05/20/31 | 40,371.01 | 44,763.02 | | | (242.62) | | 40,128.39 | 44,507.51 | (12.89) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 229,448.14 | 254,411.86 | | (228,916.15) | (531.99) | | | | (24,963.72) | 22,372.34 |
| GNMA | 2000 BCDE RMRB | | | | 683,083.50 | 757,402.28 | | (681,725.15) | (1,358.35) | | | | (74,318.78) | 66,625.33 |
| GNMA | 2000 BCDE RMRB | | | | 241,055.60 | 267,282.21 | | (240,449.06) | (606.54) | | | | (26,226.61) | 23,499.64 |
| GNMA | 2000 BCDE RMRB | | | | 201,700.98 | 223,647.69 | | (201,207.80) | (493.18) | | | | (21,946.71) | 19,666.28 |
| GNMA | 2000 BCDE RMRB | | | | 312,175.73 | 346,144.30 | | (311,555.20) | (620.53) | | | | (33,968.57) | 30,452.57 |
| GNMA | 2000 BCDE RMRB | | | | 117,381.55 | 130,153.59 | | (116,137.15) | (1,244.40) | | | | (12,772.04) | 11,354.57 |
| GNMA | 2000 BCDE RMRB | 6.10 | 08/08/01 | 07/20/31 | 134,777.51 | 149,443.69 | | | (869.98) | | 133,907.53 | 148,524.15 | (49.56) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 634,194.26 | 703,208.06 | | (632,662.39) | (1,531.87) | | | | (69,013.80) | 61,845.27 |
| GNMA | 2000 BCDE RMRB | | | | 158,247.04 | 175,467.14 | | (157,663.47) | (583.57) | | | | (17,220.10) | 15,412.39 |
| GNMA | 2000 BCDE RMRB | | | | 177,775.59 | 197,122.91 | | (177,396.13) | (379.46) | | | | (19,347.32) | 17,342.56 |
| GNMA | 2000 BCDE RMRB | | | | 439,558.76 | 487,395.98 | | (438,557.94) | (1,000.82) | | | | (47,837.22) | 42,874.44 |
| GNMA | 2000 BCDE RMRB | 6.10 | 08/31/01 | 08/20/31 | 105,991.16 | 117,526.18 | | | (1,043.83) | | 104,947.33 | 116,404.10 | (78.25) | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 02/14/01 | 02/01/31 | 232,623.36 | 256,673.32 | | | (1,606.45) | | 231,016.91 | 255,782.87 | 716.00 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 153,105.79 | 169,774.26 | | (152,810.37) | (295.42) | | | | (16,668.47) | 14,944.82 |
| GNMA | 2000 BCDE RMRB | | | | 204,694.57 | 226,979.45 | | (204,276.40) | (418.17) | | | | (22,284.88) | 19,978.25 |
| GNMA | 2000 BCDE RMRB | | | | 139,780.11 | 154,998.46 | | (139,522.60) | (257.51) | | | | (15,218.35) | 13,645.86 |
| GNMA | 2000 BCDE RMRB | | | | 243,369.00 | 269,856.77 | | (242,915.59) | (453.41) | | | | (26,487.77) | 23,749.54 |
| GNMA | 2000 BCDE RMRB | | | | 412,720.88 | 457,642.32 | | (411,921.83) | (799.05) | | | | (44,921.44) | 40,274.91 |
| GNMA | 2000 BCDE RMRB | 6.10 | 09/25/01 | 08/20/31 | 70,857.87 | 78,569.88 | | | (6,154.75) | | 64,703.12 | 71,767.06 | (648.07) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 10/17/01 | 09/20/31 | 54,003.01 | 59,881.23 | | | (340.29) | | 53,662.72 | 59,521.98 | (18.96) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 638,981.70 | 708,534.92 | | (637,508.24) | (1,473.46) | | | | (69,553.22) | 62,336.99 |
| GNMA | 2000 BCDE RMRB | | | | 184,680.51 | 204,783.00 | | (184,278.99) | (401.52) | | | | (20,102.49) | 18,019.14 |
| GNMA | 2000 BCDE RMRB | 6.10 | 11/15/01 | 08/20/31 | 88,835.82 | 98,506.10 | | | (479.86) | | 88,355.96 | 98,003.77 | (22.47) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 148,187.65 | 164,320.04 | | (147,912.84) | (274.81) | | | | (16,132.39) | 14,465.16 |
| FNMA | 2000 BCDE RMRB | 6.10 | 03/15/01 | 02/01/31 | 94,577.07 | 104,355.94 | | | (542.25) | | 94,034.82 | 104,116.68 | 302.99 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 122,803.50 | 136,176.28 | | (122,579.16) | (224.34) | | | | (13,372.78) | 11,991.43 |
| FNMA | 2000 BCDE RMRB | 6.10 | 05/10/01 | 04/01/31 | 229,219.05 | 252,925.67 | | | (6,652.65) | | 222,566.40 | 246,434.82 | 161.80 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 291,918.37 | 323,443.37 | | (290,979.16) | (939.21) | | | | (31,525.00) | 28,472.47 |
| FNMA | 2000 BCDE RMRB | 6.10 | 07/12/01 | 05/01/31 | 241,258.00 | 266,215.87 | | | (3,637.92) | | 237,620.08 | 263,108.95 | 531.00 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 401,772.61 | 445,177.09 | | (400,999.36) | (773.25) | | | | (43,404.48) | 39,252.09 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/24/02 | 05/20/32 | 104,574.79 | 115,872.63 | | | (558.04) | | 104,016.75 | 114,964.73 | (349.86) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 03/21/02 | 02/20/32 | 89,706.88 | 99,395.36 | | | (519.78) | | 89,187.10 | 98,571.17 | (304.41) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 148,335.20 | 164,358.23 | | (148,081.26) | (253.94) | | | | (16,023.03) | 14,492.95 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2000 BCDE RMRB | | | | 326,154.66 | 361,386.72 | | (325,446.58) | (708.08) | | | | (35,232.06) | 31,853.64 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/15/02 | 05/20/32 | 71,790.34 | 79,546.02 | | | (367.97) | | 71,422.37 | 78,939.45 | (238.60) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 742,427.62 | 822,670.34 | | (740,850.93) | (1,576.69) | | | | (80,242.72) | 72,555.30 |
| GNMA | 2000 BCDE RMRB | | | | 406,272.92 | 450,166.34 | | (405,443.30) | (829.62) | | | | (43,893.42) | 39,689.99 |
| GNMA | 2000 BCDE RMRB | | | | 416,291.25 | 461,269.83 | | (415,562.54) | (728.71) | | | | (44,978.58) | 40,682.92 |
| GNMA | 2000 BCDE RMRB | | | | 335,015.57 | 371,213.77 | | (332,494.02) | (2,521.55) | | | | (36,198.20) | 32,558.56 |
| GNMA | 2000 BCDE RMRB | | | | 313,617.87 | 347,504.78 | | (313,001.22) | (616.65) | | | | (33,886.91) | 30,644.32 |
| GNMA | 2000 BCDE RMRB | | | | 452,222.67 | 501,087.50 | | (451,446.26) | (776.41) | | | | (48,864.83) | 44,199.80 |
| GNMA | 2000 BCDE RMRB | | | | 470,125.48 | 520,929.52 | | (469,077.69) | (1,047.79) | | | | (50,804.04) | 45,931.58 |
| GNMA | 2000 BCDE RMRB | 6.10 | 07/29/02 | 07/20/32 | 82,759.78 | 91,703.40 | | | (666.26) | | 82,093.52 | 90,736.59 | (300.55) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 124,509.83 | 137,965.38 | | (123,486.39) | (1,023.44) | | | | (13,455.55) | 12,094.69 |
| GNMA | 2000 BCDE RMRB | | | | 881,371.44 | 976,626.49 | | (879,021.01) | (2,350.43) | | | | (95,255.05) | 86,083.83 |
| GNMA | 2000 BCDE RMRB | | | | 742,648.84 | 822,913.81 | | (741,200.00) | (1,448.84) | | | | (80,264.97) | 72,587.41 |
| GNMA | 2000 BCDE RMRB | | | | 406,535.61 | 450,488.64 | | (405,737.25) | (798.36) | | | | (43,953.03) | 39,749.60 |
| GNMA | 2000 BCDE RMRB | | | | 462,988.13 | 513,031.19 | | (462,117.29) | (870.84) | | | | (50,043.06) | 45,259.66 |
| GNMA | 2000 BCDE RMRB | | | | 152,458.54 | 168,938.42 | | (151,706.71) | (751.83) | | | | (16,479.88) | 14,860.84 |
| GNMA | 2000 BCDE RMRB | | | | 1,089,359.27 | 1,207,114.71 | | (1,087,133.22) | (2,226.05) | | | | (117,755.44) | 106,483.85 |
| GNMA | 2000 BCDE RMRB | | | | 786,022.34 | 870,995.18 | | (762,465.62) | (23,556.72) | | | | (84,972.84) | 74,767.79 |
| GNMA | 2000 BCDE RMRB | | | | 357,055.68 | 395,656.34 | | (356,290.29) | (765.39) | | | | (38,600.66) | 34,902.79 |
| GNMA | 2000 BCDE RMRB | | | | 345,405.57 | 382,749.07 | | (344,691.05) | (714.52) | | | | (37,343.50) | 33,768.71 |
| FNMA | 2000 BCDE RMRB | 6.10 | 08/31/01 | 06/01/31 | 461,673.92 | 509,443.36 | | | (13,598.18) | | 448,075.74 | 496,149.16 | 303.98 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 163,299.44 | 180,954.31 | | (162,776.26) | (523.18) | | | | (17,654.87) | 15,947.31 |
| GNMA | 2000 BCDE RMRB | 6.10 | 11/19/02 | 11/20/32 | 27,190.31 | 30,130.20 | | | (259.96) | | 26,930.35 | 29,767.15 | (103.09) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 109,053.27 | 120,844.65 | | (108,648.10) | (405.17) | | | | (11,791.38) | 10,645.78 |
| GNMA | 2000 BCDE RMRB | | | | 49,927.33 | 55,325.71 | | (49,839.04) | (88.29) | | | | (5,398.38) | 4,883.08 |
| GNMA | 2000 BCDE RMRB | 6.10 | 12/12/02 | 11/20/32 | 16,912.11 | 18,740.84 | | | (836.31) | | 16,075.80 | 17,769.35 | (135.18) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 12/19/02 | 06/20/32 | 60,323.27 | 66,845.12 | | | (321.70) | | 60,001.57 | 66,321.52 | (201.90) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 12/30/02 | 09/20/32 | 70,600.77 | 78,234.87 | | | (943.06) | | 69,657.71 | 76,995.90 | (295.91) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 108,257.65 | 119,965.04 | | (107,870.16) | (387.49) | | | | (11,707.39) | 10,571.51 |
| GNMA | 2000 BCDE RMRB | 6.10 | 01/23/03 | 01/20/33 | 10,199.46 | 11,275.13 | | | (861.63) | | 9,337.83 | 10,287.45 | (126.05) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 311,969.67 | 344,871.29 | | (311,387.65) | (582.02) | | | | (32,901.62) | 30,517.84 |
| GNMA | 2000 BCDE RMRB | | | | 139,459.26 | 154,168.77 | | (138,990.07) | (469.19) | | | | (14,709.51) | 13,624.15 |
| FNMA | 2000 BCDE RMRB | 6.10 | 10/17/01 | 09/01/31 | 277,041.40 | 306,410.08 | | | (4,463.69) | | 272,577.71 | 301,966.77 | 20.38 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 239,448.50 | 264,704.93 | | (239,030.87) | (417.63) | | | | (25,256.43) | 23,429.51 |
| GNMA | 2000 BCDE RMRB | 6.10 | 02/27/03 | 02/20/33 | 97,325.72 | 107,591.72 | | | (464.44) | | 96,861.28 | 106,713.35 | (413.93) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 179,413.29 | 198,340.15 | | (179,118.52) | (294.77) | | | | (18,926.86) | 17,559.68 |
| GNMA | 2000 BCDE RMRB | | | | 141,079.54 | 155,962.92 | | (140,856.30) | (223.24) | | | | (14,883.38) | 13,809.12 |
| GNMA | 2000 BCDE RMRB | | | | 137,006.48 | 151,461.38 | | (136,834.55) | (171.93) | | | | (14,454.90) | 13,415.88 |
| GNMA | 2000 BCDE RMRB | 6.10 | 04/24/03 | 04/20/33 | 25,573.15 | 28,271.30 | | | (125.51) | | 25,447.64 | 28,036.67 | (109.12) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 254,218.27 | 281,040.77 | | (253,707.74) | (510.53) | | | | (26,822.50) | 24,876.49 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/08/03 | 04/20/33 | 77,311.49 | 85,468.86 | | | (425.65) | | 76,885.84 | 84,708.61 | (334.60) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/15/03 | 04/20/33 | 68,119.83 | 75,307.51 | | | (318.41) | | 67,801.42 | 74,700.05 | (289.05) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/22/03 | 05/20/33 | 93,822.72 | 103,723.07 | | | (52,217.20) | | 41,605.52 | 45,839.05 | (5,666.82) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 05/29/03 | 04/20/33 | 58,041.98 | 64,166.61 | | | (300.98) | | 57,741.00 | 63,616.32 | (249.31) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 06/10/03 | 05/20/33 | 94,296.17 | 104,247.11 | | | (493.31) | | 93,802.86 | 103,348.31 | (405.49) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 180,202.14 | 199,219.80 | | (179,821.89) | (380.25) | | | | (19,017.66) | 17,636.48 |
| GNMA | 2000 BCDE RMRB | 6.10 | 06/19/03 | 06/20/33 | 57,045.11 | 63,065.38 | | | (277.62) | | 56,767.49 | 62,544.57 | (243.19) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 06/26/03 | 06/20/33 | 93,560.49 | 103,434.62 | | | (431.23) | | 93,129.26 | 102,606.99 | (396.40) | 0.00 |
| GNMA | 2000 BCDE RMRB | 6.10 | 07/03/03 | 07/20/33 | 68,540.13 | 75,774.14 | | | (317.51) | | 68,222.62 | 75,166.06 | (290.57) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 453,734.34 | 501,624.33 | | (453,014.46) | (719.88) | | | | (47,889.99) | 44,434.66 |
| GNMA | 2000 BCDE RMRB | | | | 179,569.79 | 198,523.12 | | (179,240.28) | (329.51) | | | | (18,953.33) | 17,581.64 |
| GNMA | 2000 BCDE RMRB | 6.10 | 07/24/03 | 07/20/33 | 46,373.69 | 51,268.52 | | | (212.92) | | 46,160.77 | 50,859.20 | (196.40) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 160,717.96 | 177,682.40 | | (160,452.65) | (265.31) | | | | (16,964.44) | 15,739.54 |
| GNMA | 2000 BCDE RMRB | | | | 161,038.42 | 178,037.57 | | (160,788.63) | (249.79) | | | | (16,999.15) | 15,773.32 |
| GNMA | 2000 BCDE RMRB | | | | 159,439.43 | 176,270.33 | | (159,191.04) | (248.39) | | | | (16,830.90) | 15,617.13 |
| FNMA | 2000 BCDE RMRB | 6.10 | 12/27/01 | 10/01/31 | 209,634.41 | 231,337.34 | | | (1,351.37) | | 208,283.04 | 230,641.43 | 655.46 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 145,846.68 | 161,243.01 | | (145,542.54) | (304.14) | | | | (15,396.33) | 14,278.77 |
| GNMA | 2000 BCDE RMRB | | | | 266,257.21 | 294,365.28 | | (265,830.17) | (427.04) | | | | (28,108.07) | 26,079.97 |
| GNMA | 2000 BCDE RMRB | | | | 146,788.36 | 162,284.91 | | (146,534.73) | (253.63) | | | | (15,496.55) | 14,376.73 |
| GNMA | 2000 BCDE RMRB | | | | 311,071.07 | 343,913.48 | | (249,135.82) | (61,935.25) | | | | (32,842.41) | 24,672.73 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2000 BCDE RMRB | 6.10 | 09/18/03 | 08/20/33 | 77,049.63 | 85,184.16 | | | (39,676.68) | | 37,372.95 | 41,177.79 | (4,329.69) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 306,687.35 | 339,068.30 | | (306,201.80) | (485.55) | | | | (32,380.95) | 30,045.44 |
| GNMA | 2000 BCDE RMRB | | | | 149,713.99 | 165,521.89 | | (144,758.36) | (4,955.63) | | | | (15,807.90) | 14,222.30 |
| GNMA | 2000 BCDE RMRB | 6.10 | 10/16/03 | 09/20/33 | 83,909.73 | 92,769.72 | | | (380.26) | | 83,529.47 | 92,034.57 | (354.89) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 155,440.18 | 168,518.20 | | (167,963.33) | (402.18) | 12,925.33 | | | (13,078.02) | 11,219.88 |
| GNMA | 2000 BCDE RMRB | | | | 165,166.08 | 182,606.80 | | (164,911.17) | (254.91) | | | | (17,440.72) | 16,183.56 |
| GNMA | 2000 BCDE RMRB | | | | 100,489.04 | 108,944.16 | | (108,574.44) | (270.75) | 8,356.15 | | | (8,455.12) | 7,253.07 |
| GNMA | 2000 BCDE RMRB | | | | 54,937.40 | 60,738.33 | | (54,846.63) | (90.77) | | | | (5,800.93) | 5,382.22 |
| GNMA | 2000 BCDE RMRB | | | | 291,518.64 | 316,048.92 | | (315,148.66) | (610.83) | 24,240.85 | | | (24,530.28) | 21,054.43 |
| GNMA | 2000 BCDE RMRB | | | | 128,969.43 | 142,589.40 | | (128,764.20) | (205.23) | | | | (13,619.97) | 12,637.72 |
| GNMA | 2000 BCDE RMRB | | | | 418,090.34 | 453,272.52 | | (452,073.63) | (782.48) | 34,765.77 | | | (35,182.18) | 30,203.05 |
| GNMA | 2000 BCDE RMRB | | | | 44,816.37 | 49,549.25 | | (44,748.33) | (68.04) | | | | (4,732.88) | 4,391.87 |
| GNMA | 2000 BCDE RMRB | | | | 251,397.67 | 272,553.28 | | (271,847.14) | (455.16) | 20,904.63 | | | (21,155.61) | 18,162.66 |
| GNMA | 2000 BCDE RMRB | | | | 297,007.60 | 322,002.06 | | (321,136.13) | (568.70) | 24,697.23 | | | (24,994.46) | 21,456.57 |
| GNMA | 2000 BCDE RMRB | | | | 301,871.66 | 327,277.39 | | (326,212.60) | (760.81) | 25,101.75 | | | (25,405.73) | 21,798.21 |
| GNMA | 2000 BCDE RMRB | | | | 690,990.86 | 749,146.58 | | (746,511.81) | (1,937.48) | 57,458.43 | | | (58,155.72) | 49,885.65 |
| GNMA | 2000 BCDE RMRB | | | | 620,966.13 | 673,229.78 | | (671,353.27) | (1,248.51) | 51,635.65 | | | (52,263.65) | 44,862.84 |
| GNMA | 2000 BCDE RMRB | | | | 121,718.61 | 131,849.25 | | (131,603.90) | (236.03) | 10,121.32 | | | (10,130.64) | 8,795.42 |
| GNMA | 2000 BCDE RMRB | | | | 797,859.67 | 864,267.43 | | (862,018.17) | (2,186.48) | 66,344.98 | | | (66,407.76) | 57,614.55 |
| GNMA | 2000 BCDE RMRB | | | | 228,951.42 | 247,578.63 | | (247,471.68) | (517.94) | 19,038.20 | | | (18,627.21) | 16,540.57 |
| GNMA | 2000 BCDE RMRB | | | | 45,746.61 | 49,554.45 | | (49,450.02) | (100.59) | 3,804.00 | | | (3,807.84) | 3,305.23 |
| GNMA | 2000 BCDE RMRB | | | | 41,727.40 | 46,135.51 | | (41,653.90) | (73.50) | | | | (4,408.11) | 4,089.63 |
| GNMA | 2000 BCDE RMRB | | | | 152,273.36 | 166,734.78 | | (157,864.56) | (302.10) | 5,893.30 | | | (14,461.42) | 12,659.12 |
| GNMA | 2000 BCDE RMRB | | | | 526,931.80 | 577,001.30 | | (546,415.60) | (909.56) | 20,393.36 | | | (50,069.50) | 43,842.87 |
| GNMA | 2000 BCDE RMRB | | | | 225,111.54 | 246,501.83 | | (233,237.66) | (586.15) | 8,712.27 | | | (21,390.29) | 18,715.09 |
| GNMA | 2000 BCDE RMRB | | | | 154,059.86 | 168,692.01 | | (159,770.32) | (251.98) | 5,962.44 | | | (14,632.15) | 12,812.80 |
| GNMA | 2000 BCDE RMRB | | | | 196,665.82 | 215,345.16 | | (203,950.60) | (326.57) | 7,611.35 | | | (18,679.34) | 16,356.49 |
| GNMA | 2000 BCDE RMRB | | | | 62,418.90 | 68,347.59 | | (64,737.34) | (97.29) | 2,415.73 | | | (5,928.69) | 5,191.93 |
| GNMA | 2000 BCDE RMRB | | | | 187,308.26 | 205,099.89 | | (194,252.80) | (304.72) | 7,249.26 | | | (17,791.63) | 15,579.69 |
| GNMA | 2000 BCDE RMRB | | | | 125,443.86 | 137,359.92 | | (130,087.67) | (211.10) | 4,854.91 | | | (11,916.06) | 10,434.20 |
| GNMA | 2000 BCDE RMRB | | | | 230,475.96 | 252,369.64 | | (179,997.73) | (59,398.15) | 8,919.92 | | | (21,893.68) | 14,654.40 |
| GNMA | 2000 BCDE RMRB | | | | 305,565.28 | 334,592.61 | | (316,911.73) | (479.57) | 11,826.02 | | | (29,027.33) | 25,420.57 |
| GNMA | 2000 BCDE RMRB | | | | 224,366.50 | 245,681.05 | | (232,622.52) | (427.43) | 8,683.45 | | | (21,314.55) | 18,660.24 |
| GNMA | 2000 BCDE RMRB | | | | 330,219.28 | 361,591.51 | | (342,428.15) | (571.27) | 12,780.14 | | | (31,372.23) | 27,470.11 |
| GNMA | 2000 BCDE RMRB | | | | 332,267.20 | 363,834.80 | | (344,580.31) | (546.33) | 12,859.44 | | | (31,567.60) | 27,643.40 |
| GNMA | 2000 BCDE RMRB | | | | 92,135.00 | 100,888.72 | | (95,530.48) | (170.36) | 3,565.84 | | | (8,753.72) | 7,664.09 |
| GNMA | 2000 BCDE RMRB | | | | 298,268.98 | 326,608.11 | | (309,315.83) | (496.78) | 11,543.63 | | | (28,339.13) | 24,815.97 |
| GNMA | 2000 BCDE RMRB | | | | 98,689.16 | 108,069.09 | | (102,202.05) | (306.59) | 3,819.48 | | | (9,379.93) | 8,203.27 |
| GNMA | 2000 BCDE RMRB | | | | 99,479.78 | 108,935.05 | | (103,177.60) | (152.25) | 3,850.07 | | | (9,455.27) | 8,281.21 |
| GNMA | 2000 BCDE RMRB | | | | 88,914.28 | 97,365.83 | | (92,216.77) | (138.69) | 3,441.18 | | | (8,451.55) | 7,401.97 |
| GNMA | 2000 BCDE RMRB | | | | 49,579.36 | 54,292.04 | | (51,419.90) | (78.32) | 1,918.86 | | | (4,712.68) | 4,127.31 |
| GNMA | 2000 BCDE RMRB | | | | 218,863.11 | 239,667.87 | | (226,993.01) | (340.57) | 8,470.47 | | | (20,804.76) | 18,221.25 |
| GNMA | 2000 BCDE RMRB | | | | 96,074.16 | 105,207.31 | | (99,632.71) | (159.71) | 3,718.26 | | | (9,133.15) | 7,998.30 |
| GNMA | 2000 BCDE RMRB | | | | 396,326.87 | 433,987.08 | | (410,987.99) | (677.54) | 15,338.66 | | | (37,660.21) | 32,977.41 |
| GNMA | 2000 BCDE RMRB | | | | 430,479.83 | 471,386.72 | | (444,927.58) | (2,212.69) | 16,660.44 | | | (40,906.89) | 35,707.52 |
| GNMA | 2000 BCDE RMRB | | | | 313,692.16 | 343,501.84 | | (325,343.65) | (489.04) | 12,140.53 | | | (29,809.68) | 26,106.85 |
| GNMA | 2000 BCDE RMRB | | | | 389,952.81 | 427,011.56 | | (404,410.40) | (634.39) | 15,091.98 | | | (37,058.75) | 32,453.68 |
| GNMA | 2000 BCDE RMRB | | | | 318,961.27 | 349,274.13 | | (330,687.05) | (618.69) | 12,344.47 | | | (30,312.86) | 26,538.50 |
| GNMA | 2000 BCDE RMRB | | | | 226,853.64 | 248,069.82 | | (187,551.83) | (48,081.53) | 8,779.72 | | | (21,216.18) | 15,229.01 |
| GNMA | 2000 BCDE RMRB | | | | 72,287.91 | 79,158.26 | | (74,973.39) | (112.21) | 2,797.69 | | | (6,870.35) | 6,017.09 |
| GNMA | 2000 BCDE RMRB | | | | 12,489.83 | 13,677.47 | | (12,946.04) | (27.19) | 483.40 | | | (1,187.64) | 1,039.59 |
| GNMA | 2000 BCDE RMRB | | | | 177,775.51 | 194,681.35 | | (184,321.66) | (334.12) | 6,880.27 | | | (16,905.84) | 14,802.90 |
| GNMA | 2000 BCDE RMRB | | | | 54,999.62 | 60,228.29 | | (57,045.04) | (83.19) | 2,128.61 | | | (5,228.67) | 4,579.61 |
| GNMA | 2000 BCDE RMRB | | | | 49,850.07 | 54,589.43 | | (51,699.93) | (79.44) | 1,929.30 | | | (4,739.36) | 4,150.77 |
| GNMA | 2000 BCDE RMRB | | | | 57,583.90 | 63,059.24 | | (59,726.73) | (85.79) | 2,228.62 | | | (5,475.34) | 4,795.88 |
| GNMA | 2000 BCDE RMRB | | | | 222,515.38 | 243,676.34 | | (230,659.99) | (467.14) | 8,611.75 | | | (21,160.96) | 18,525.06 |
| GNMA | 2000 BCDE RMRB | | | | 49,718.20 | 54,261.53 | | (51,569.66) | (72.72) | 1,924.18 | | | (4,543.33) | 4,142.96 |
| GNMA | 2000 BCDE RMRB | | | | 131,585.80 | 143,614.98 | | (136,485.64) | (192.80) | 5,092.64 | | | (12,029.18) | 10,969.45 |
| FNMA | 2000 BCDE RMRB | 6.10 | 06/10/02 | 05/01/32 | 56,341.42 | 62,179.18 | | | (284.96) | | 56,056.46 | 62,078.76 | 184.54 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 59,972.37 | 65,736.34 | | (62,208.60) | (84.85) | 2,321.08 | | | (5,763.97) | 5,279.05 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2000 BCDE RMRB | | | | 117,125.39 | 128,388.29 | | (121,444.47) | (233.25) | 4,552.33 | | | (11,262.90) | 10,312.17 |
| GNMA | 2000 BCDE RMRB | | | | 129,759.51 | 142,233.72 | | (134,593.81) | (187.65) | 5,021.95 | | | (12,474.21) | 11,424.73 |
| GNMA | 2000 BCDE RMRB | | | | 160,607.11 | 175,304.75 | | (166,598.36) | (224.55) | 6,215.80 | | | (14,697.64) | 13,404.93 |
| GNMA | 2000 BCDE RMRB | | | | 110,813.55 | 120,956.35 | | (114,894.01) | (208.22) | 4,288.68 | | | (10,142.80) | 9,246.80 |
| FNMA | 2000 BCDE RMRB | 6.10 | 07/29/02 | 07/01/32 | 256,027.46 | 282,561.98 | | | (1,954.58) | | 254,072.88 | 281,311.41 | 704.01 | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 151,093.02 | 164,448.79 | | (48,824.13) | (108,116.50) | 5,847.61 | | | (13,355.77) | 4,354.69 |
| FNMA | 2000 BCDE RMRB | 6.10 | 09/12/02 | 07/01/32 | 251,635.90 | 277,719.18 | | | (1,475.43) | | 250,160.47 | 276,983.45 | 739.70 | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 10/29/02 | 10/01/32 | 122,609.00 | 135,321.54 | | | (929.66) | | 121,679.34 | 134,729.69 | 337.81 | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 04/10/03 | 03/01/33 | 106,473.22 | 117,360.60 | | | (616.73) | | 105,856.49 | 116,863.10 | 119.23 | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 07/03/03 | 05/01/33 | 167,241.83 | 184,349.56 | | | (790.65) | | 166,451.18 | 183,764.49 | 205.58 | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 08/14/03 | 08/01/33 | 191,177.80 | 210,738.88 | | | (936.80) | | 190,241.00 | 210,033.86 | 231.78 | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 09/04/03 | 08/01/33 | 162,750.58 | 179,404.28 | | | (3,043.64) | | 159,706.94 | 176,324.24 | (36.40) | 0.00 |
| FNMA | 2000 BCDE RMRB | 6.10 | 12/04/03 | 10/01/33 | 104,358.62 | 115,041.55 | | | (1,256.74) | | 103,101.88 | 113,833.73 | 48.92 | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 196,406.79 | 210,636.79 | | (212,304.50) | (434.24) | 16,331.95 | | | (14,230.00) | 14,185.37 |
| FNMA | 2000 BCDE RMRB | | | | 165,813.30 | 177,830.67 | | (179,233.88) | (367.39) | 13,787.97 | | | (12,017.37) | 11,979.66 |
| FNMA | 2000 BCDE RMRB | | | | 238,305.25 | 258,638.50 | | (247,087.57) | (440.57) | 9,222.89 | | | (20,333.25) | 18,423.59 |
| FNMA | 2000 BCDE RMRB | | | | 217,695.84 | 236,273.70 | | (225,715.07) | (406.03) | 8,425.26 | | | (18,577.86) | 16,833.08 |
| FNMA | 2000 BCDE RMRB | | | | 220,520.68 | 239,342.97 | | (228,599.55) | (455.73) | 8,534.60 | | | (18,822.29) | 17,051.69 |
| FNMA | 2000 BCDE RMRB | | | | 161,787.57 | 175,599.42 | | (167,771.59) | (277.48) | 6,261.50 | | | (13,811.85) | 12,516.84 |
| FNMA | 2000 BCDE RMRB | | | | 69,468.97 | 75,400.55 | | (72,043.98) | (113.60) | 2,688.61 | | | (5,931.58) | 5,375.87 |
| FNMA | 2000 BCDE RMRB | | | | 42,685.35 | 46,331.05 | | (44,265.88) | (71.48) | 1,652.01 | | | (3,645.70) | 3,304.14 |
| FNMA | 2000 BCDE RMRB | | | | 219,747.44 | 237,422.24 | | (169,940.56) | (58,311.56) | 8,504.68 | | | (17,674.80) | 12,911.12 |
| FNMA | 2000 BCDE RMRB | | | | 124,278.78 | 134,290.03 | | (128,832.66) | (255.95) | 4,809.83 | | | (10,011.25) | 9,637.16 |
| FNMA | 2000 BCDE RMRB | | | | 142,968.20 | 154,490.12 | | (148,303.15) | (198.21) | 5,533.16 | | | (11,521.92) | 11,098.37 |
| Repo Agmt | 2000 BCDE RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,960.34 | 1,960.34 | 0.94 | | | | 1,961.28 | 1,961.28 | - | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 12,925.33 | 14,012.91 | | | | (12,925.33) | | | (1,087.58) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,356.15 | 9,059.10 | | | | (8,356.15) | | | (702.95) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 24,240.85 | 26,280.64 | | | | (24,240.85) | | | (2,039.79) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 34,765.77 | 37,691.29 | | | | (34,765.77) | | | (2,925.52) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 20,904.63 | 22,663.81 | | | | (20,904.63) | | | (1,759.18) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 24,697.23 | 26,775.66 | | | | (24,697.23) | | | (2,078.43) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 25,101.75 | 27,214.32 | | | | (25,101.75) | | | (2,112.57) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 57,458.43 | 62,294.32 | | | | (57,458.43) | | | (4,835.89) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 51,635.65 | 55,981.55 | | | | (51,635.65) | | | (4,345.90) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 10,121.32 | 10,963.75 | | | | (10,121.32) | | | (842.43) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 66,344.98 | 71,867.04 | | | | (66,344.98) | | | (5,522.06) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 19,038.20 | 20,587.08 | | | | (19,038.20) | | | (1,548.88) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,804.00 | 4,120.63 | | | | (3,804.00) | | | (316.63) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 5,893.30 | 6,452.98 | | | | (5,893.30) | | | (559.68) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 20,393.36 | 22,331.12 | | | | (20,393.36) | | | (1,937.76) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,712.27 | 9,540.12 | | | | (8,712.27) | | | (827.85) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 5,962.44 | 6,528.72 | | | | (5,962.44) | | | (566.28) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 7,611.35 | 8,334.30 | | | | (7,611.35) | | | (722.95) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 2,415.73 | 2,645.19 | | | | (2,415.73) | | | (229.46) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 7,249.26 | 7,937.78 | | | | (7,249.26) | | | (688.52) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 4,854.91 | 5,316.11 | | | | (4,854.91) | | | (461.20) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,919.92 | 9,767.22 | | | | (8,919.92) | | | (847.30) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 11,826.02 | 12,949.41 | | | | (11,826.02) | | | (1,123.39) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,683.45 | 9,508.35 | | | | (8,683.45) | | | (824.90) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 12,780.14 | 13,994.32 | | | | (12,780.14) | | | (1,214.18) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 12,859.44 | 14,081.14 | | | | (12,859.44) | | | (1,221.70) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,565.84 | 3,904.60 | | | | (3,565.84) | | | (338.76) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 11,543.63 | 12,640.40 | | | | (11,543.63) | | | (1,096.77) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,819.48 | 4,182.49 | | | | (3,819.48) | | | (363.01) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,850.07 | 4,216.00 | | | | (3,850.07) | | | (365.93) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,441.18 | 3,768.26 | | | | (3,441.18) | | | (327.08) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 1,918.86 | 2,101.21 | | | | (1,918.86) | | | (182.35) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,470.47 | 9,275.63 | | | | (8,470.47) | | | (805.16) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 3,718.26 | 4,071.73 | | | | (3,718.26) | | | (353.47) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 15,338.66 | 16,796.18 | | | | (15,338.66) | | | (1,457.52) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2000 BCDE RMRB | | | | 16,660.44 | 18,243.62 | | | | (16,660.44) | | | (1,583.18) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 12,140.53 | 13,294.21 | | | | (12,140.53) | | | (1,153.68) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 15,091.98 | 16,526.21 | | | | (15,091.98) | | | (1,434.23) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 12,344.47 | 13,517.62 | | | | (12,344.47) | | | (1,173.15) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,779.72 | 9,600.80 | | | | (8,779.72) | | | (821.08) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 2,797.69 | 3,063.58 | | | | (2,797.69) | | | (265.89) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 483.40 | 529.34 | | | | (483.40) | | | (45.94) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 6,880.27 | 7,534.56 | | | | (6,880.27) | | | (654.29) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 2,128.61 | 2,330.95 | | | | (2,128.61) | | | (202.34) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 1,929.30 | 2,112.72 | | | | (1,929.30) | | | (183.42) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 2,228.62 | 2,440.52 | | | | (2,228.62) | | | (211.90) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 8,611.75 | 9,430.77 | | | | (8,611.75) | | | (819.02) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 1,924.18 | 2,100.03 | | | | (1,924.18) | | | (175.85) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 5,092.64 | 5,558.19 | | | | (5,092.64) | | | (465.55) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 2,321.08 | 2,544.13 | | | | (2,321.08) | | | (223.05) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 4,552.33 | 4,968.88 | | | | (4,552.33) | | | (416.55) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 5,021.95 | 5,504.73 | | | | (5,021.95) | | | (482.78) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 6,215.80 | 6,784.65 | | | | (6,215.80) | | | (568.85) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 4,288.68 | 4,681.25 | | | | (4,288.68) | | | (392.57) | 0.00 |
| GNMA | 2000 BCDE RMRB | | | | 5,847.61 | 6,364.49 | | | | (5,847.61) | | | (516.88) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 16,331.95 | 17,515.23 | | | | (16,331.95) | | | (1,183.28) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 13,787.97 | 14,787.27 | | | | (13,787.97) | | | (999.30) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 9,222.89 | 10,009.84 | | | | (9,222.89) | | | (786.95) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 8,425.26 | 9,144.27 | | | | (8,425.26) | | | (719.01) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 8,534.60 | 9,263.06 | | | | (8,534.60) | | | (728.46) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 6,261.50 | 6,796.05 | | | | (6,261.50) | | | (534.55) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 2,688.61 | 2,918.15 | | | | (2,688.61) | | | (229.54) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 1,652.01 | 1,793.10 | | | | (1,652.01) | | | (141.09) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 8,504.68 | 9,188.72 | | | | (8,504.68) | | | (684.04) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 4,809.83 | 5,197.29 | | | | (4,809.83) | | | (387.46) | 0.00 |
| FNMA | 2000 BCDE RMRB | | | | 5,533.16 | 5,979.08 | | | | (5,533.16) | | | (445.92) | 0.00 |
| | **2000 BCDE RMRB Total** | | | | 50,196,963.37 | 54,964,983.40 | (245,192.26) | (43,373,036.55) | (605,623.40) | (0.00) | 5,973,111.16 | 6,554,429.65 | (4,186,701.54) | 3,660,397.31 |
| Repo Agmt | 2001 A-E RMRB | 0.20 | 08/31/10 | 09/01/10 | 5,035.87 | 5,035.87 | 2.31 | | | | 5,038.18 | 5,038.18 | - | 0.00 |
| Repo Agmt | 2001 A-E RMRB | 0.20 | 08/31/10 | 09/01/10 | 2,251,665.43 | 2,251,665.43 | | (586,390.75) | | | 1,665,274.68 | 1,665,274.68 | - | 0.00 |
| Repo Agmt | 2001 A-E RMRB | | | | 368.21 | 368.21 | | (368.21) | | | | | - | 0.00 |
| Repo Agmt | 2001 A-E RMRB | 0.20 | 08/31/10 | 09/01/10 | 670,226.38 | 670,226.38 | 67,618.60 | | | | 737,844.98 | 737,844.98 | - | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 07/25/90 | 06/20/15 | 76,118.20 | 82,958.03 | | | (4,322.42) | | 71,795.78 | 78,139.55 | (496.06) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 07/25/90 | 06/20/15 | 27,891.48 | 30,100.07 | | | (1,449.88) | | 26,441.60 | 28,493.63 | (156.56) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 07/25/90 | 06/20/15 | 32,631.57 | 35,563.69 | | | (1,335.06) | | 31,296.51 | 34,061.73 | (166.90) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 01/22/90 | 11/20/14 | 79,888.31 | 85,740.43 | | | (4,500.90) | | 75,387.41 | 80,736.52 | (503.01) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 01/22/90 | 11/20/14 | 15,607.30 | 16,922.97 | | | (1,030.96) | | 14,576.34 | 14,738.07 | (1,153.94) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 01/01/90 | 11/20/14 | 42,932.76 | 46,077.58 | | | (2,688.75) | | 40,244.01 | 43,099.40 | (289.43) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 01/01/90 | 11/20/14 | 24,748.48 | 26,834.65 | | | (1,275.82) | | 23,472.66 | 23,873.77 | (1,685.06) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 01/01/90 | 12/20/14 | 50,969.85 | 54,704.44 | | | (3,010.96) | | 47,958.89 | 51,362.66 | (330.82) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 02/28/90 | 12/20/14 | 85,405.88 | 92,607.75 | | | (4,751.13) | | 80,654.75 | 87,274.44 | (582.18) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 01/20/90 | 01/20/15 | 130,587.50 | 140,910.64 | | | (6,622.58) | | 123,964.92 | 133,568.99 | (719.07) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 01/01/90 | 01/20/15 | 128,085.06 | 139,577.22 | | | (7,262.01) | | 120,823.05 | 131,482.50 | (832.71) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 02/27/90 | 01/20/15 | 47,406.65 | 51,154.53 | | | (2,281.45) | | 45,125.20 | 48,621.50 | (251.58) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 02/27/90 | 12/20/14 | 41,964.81 | 45,503.39 | | | (2,148.90) | | 39,815.91 | 43,083.71 | (270.78) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 02/27/90 | 01/20/15 | 69,058.60 | 74,518.25 | | | (3,488.54) | | 65,570.06 | 70,650.41 | (379.30) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 02/27/90 | 01/20/15 | 62,500.93 | 68,109.31 | | | (2,922.70) | | 59,578.23 | 64,835.04 | (351.57) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 03/30/90 | 01/20/15 | 29,493.83 | 31,825.68 | | | (2,016.40) | | 27,477.43 | 29,606.47 | (202.81) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 03/30/90 | 01/20/15 | 54,402.15 | 59,284.06 | | | (4,421.51) | | 49,980.64 | 54,390.86 | (471.69) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 03/30/90 | 02/20/15 | 26,796.75 | 28,915.98 | | | (1,229.03) | | 25,567.72 | 27,549.37 | (137.58) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 03/30/90 | 02/20/15 | 102,565.85 | 111,772.00 | | | (4,809.79) | | 97,756.06 | 106,383.95 | (578.26) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 04/26/90 | 03/20/15 | 112,764.26 | 121,684.68 | | | (5,563.06) | | 107,201.20 | 115,512.31 | (609.31) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 04/26/90 | 03/20/15 | 100,915.54 | 109,975.85 | | | (5,760.94) | | 95,154.60 | 103,554.99 | (659.92) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 04/26/90 | 03/20/15 | 89,294.86 | 96,358.73 | | | (21,828.93) | | 67,465.93 | 72,696.45 | (1,833.35) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 04/26/90 | 03/20/15 | 249,423.47 | 271,816.84 | | | (13,795.86) | | 235,627.61 | 256,429.17 | (1,591.81) | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2001 A-E RMRB | 7.19 | 05/29/90 | 04/20/15 | 30,959.55 | 33,409.40 | | | (1,928.27) | | 29,031.28 | 31,282.71 | (198.42) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 05/29/90 | 03/20/15 | 22,855.20 | 24,907.32 | | | (1,025.18) | | 21,830.02 | 22,108.60 | (1,773.54) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 05/29/90 | 04/20/15 | 54,975.97 | 59,326.38 | | | (2,763.40) | | 52,212.57 | 56,261.87 | (301.11) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 05/29/90 | 04/20/15 | 240,656.75 | 262,269.61 | | | (11,129.93) | | 229,526.82 | 249,796.01 | (1,343.67) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 06/28/90 | 05/20/15 | 37,805.09 | 40,797.63 | | | (1,839.60) | | 35,965.49 | 38,755.67 | (202.36) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 06/28/90 | 05/20/15 | 36,070.01 | 39,310.32 | | | (1,615.14) | | 34,454.87 | 37,498.47 | (196.71) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 06/28/90 | 05/20/15 | 30,618.07 | 33,041.73 | | | (1,309.40) | | 29,308.67 | 31,582.44 | (149.89) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 06/28/90 | 05/20/15 | 147,620.16 | 160,881.25 | | | (30,883.06) | | 116,737.10 | 127,049.01 | (2,949.18) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 06/28/90 | 05/20/15 | 54,880.24 | 58,904.03 | | | (15,388.86) | | 39,491.38 | 42,500.15 | (1,015.02) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 07/25/90 | 06/20/15 | 33,915.87 | 36,601.50 | | | (1,531.80) | | 32,384.07 | 34,897.28 | (172.42) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 09/13/90 | 06/20/15 | 18,934.75 | 20,434.26 | | | (856.64) | | 18,078.11 | 19,481.24 | (96.38) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 09/13/90 | 07/20/15 | 48,895.78 | 53,290.91 | | | (2,320.83) | | 46,574.95 | 50,691.63 | (278.45) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 09/13/90 | 07/20/15 | 38,436.59 | 41,481.20 | | | (1,781.50) | | 36,655.09 | 39,500.71 | (198.99) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 09/13/90 | 08/20/15 | 57,478.68 | 62,646.37 | | | (2,441.98) | | 55,036.70 | 59,902.31 | (302.08) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 09/13/90 | 07/20/15 | 48,047.53 | 51,572.95 | | | (17,347.38) | | 30,700.15 | 33,040.78 | (1,184.79) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 09/28/90 | 08/20/15 | 56,327.41 | 61,391.79 | | | (2,484.72) | | 53,842.69 | 58,602.94 | (304.13) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 09/28/90 | 08/20/15 | 90,047.52 | 96,656.71 | | | (4,319.43) | | 85,728.09 | 92,266.09 | (71.19) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 09/28/90 | 08/20/15 | 92,784.45 | 100,136.22 | | | (6,388.57) | | 86,395.88 | 93,105.05 | (642.60) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 09/28/90 | 08/20/15 | 195,825.28 | 213,431.84 | | | (13,072.40) | | 182,752.88 | 198,910.08 | (1,449.36) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 10/31/90 | 08/20/15 | 5,948.06 | 6,419.38 | | | (236.54) | | 5,711.52 | 6,155.06 | (27.78) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 10/31/90 | 09/20/15 | 46,487.88 | 50,668.86 | | | (1,851.39) | | 44,636.49 | 48,584.08 | (233.39) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 10/31/90 | 09/20/15 | 55,268.01 | 59,325.91 | | | (2,733.17) | | 52,534.84 | 56,542.79 | (49.95) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 10/31/90 | 09/20/15 | 14,474.43 | 15,621.64 | | | (616.56) | | 13,857.87 | 14,934.36 | (70.72) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 10/31/90 | 09/20/15 | 149,439.98 | 162,880.06 | | | (20,278.62) | | 129,161.36 | 140,584.11 | (2,017.33) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 11/28/90 | 10/20/15 | 80,099.12 | 85,982.10 | | | (5,470.86) | | 74,628.26 | 80,323.45 | (187.79) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 11/28/90 | 10/20/15 | 265,396.81 | 289,272.29 | | | (11,765.29) | | 253,631.52 | 276,068.27 | (1,438.73) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 12/21/90 | 10/20/15 | 34,915.87 | 37,684.33 | | | (1,331.31) | | 33,584.56 | 36,194.43 | (158.59) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 12/21/90 | 11/20/15 | 70,152.40 | 76,465.14 | | | (3,200.76) | | 66,951.64 | 72,875.94 | (388.44) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 02/25/91 | 10/20/15 | 13,828.69 | 15,073.01 | | | (535.66) | | 13,293.03 | 13,444.28 | (1,093.07) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 01/25/91 | 11/20/15 | 80,598.76 | 86,520.95 | | | (3,441.05) | | 77,157.71 | 83,048.35 | (31.55) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 01/28/91 | 11/20/15 | 25,036.65 | 27,289.81 | | | (1,374.15) | | 23,662.50 | 23,983.95 | (1,931.71) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 02/25/90 | 01/20/16 | 30,056.29 | 32,767.92 | | | (1,180.64) | | 28,875.65 | 29,400.88 | (2,186.40) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 03/28/91 | 02/20/16 | 35,573.95 | 38,786.72 | | | (1,126.88) | | 34,447.07 | 37,543.69 | (116.15) | 0.00 |
| GNMA | 2001 A-E RMRB | 8.75 | 04/29/91 | 02/20/20 | 104,766.84 | 119,367.41 | | | (1,759.48) | | 103,007.36 | 117,813.84 | 205.91 | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 04/29/91 | 04/20/16 | 63,119.34 | 68,822.77 | | | (2,312.76) | | 60,806.58 | 66,275.67 | (234.34) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 04/29/91 | 02/20/16 | 134,167.93 | 145,360.22 | | | (5,473.20) | | 128,694.73 | 139,350.94 | (536.08) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 04/29/91 | 04/20/16 | 183,329.50 | 197,193.79 | | | (8,561.65) | | 174,767.85 | 188,844.96 | 212.82 | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 04/26/91 | 04/20/16 | 28,986.70 | 31,405.94 | | | (1,359.62) | | 27,627.08 | 29,915.78 | (130.54) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.19 | 10/23/92 | 09/20/17 | 166,166.95 | 179,160.27 | | | (12,010.93) | | 154,156.02 | 167,295.02 | 145.68 | 0.00 |
| GNMA | 2001 A-E RMRB | 8.19 | 11/23/92 | 01/20/17 | 11,725.54 | 13,045.50 | | | (444.52) | | 11,281.02 | 11,410.56 | (1,190.42) | 0.00 |
| GNMA | 2001 A-E RMRB | 7.19 | 10/30/92 | 08/20/17 | 171,619.81 | 187,693.48 | | | (6,077.01) | | 165,542.80 | 181,124.00 | (492.47) | 0.00 |
| GNMA | 2001 A-E RMRB | 6.00 | 10/30/92 | 09/20/17 | 221,356.49 | 240,768.43 | | | (6,692.45) | | 214,664.04 | 232,252.92 | (1,823.06) | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 02/25/02 | 01/20/32 | 423,233.97 | 461,095.26 | | | (3,747.44) | | 419,486.53 | 459,547.46 | 2,199.64 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 02/25/02 | 02/20/32 | 742,742.35 | 794,321.75 | | | (6,080.83) | | 736,661.52 | 803,050.35 | 14,809.43 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/15/02 | 05/20/32 | 211,265.75 | 230,183.76 | | | (1,205.45) | | 210,060.30 | 230,139.81 | 1,161.50 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 05/15/02 | 05/20/32 | 888,214.43 | 949,965.84 | | | (5,855.57) | | 882,358.86 | 961,948.76 | 17,838.49 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 05/24/02 | 05/20/32 | 692,791.49 | 740,961.06 | | | (4,449.80) | | 688,341.69 | 750,435.61 | 13,924.35 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/24/02 | 05/20/32 | 245,409.99 | 267,387.11 | | | (1,496.86) | | 243,913.13 | 267,230.25 | 1,340.00 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 03/21/02 | 02/20/32 | 691,255.35 | 753,111.33 | | | (59,216.84) | | 632,038.51 | 692,414.94 | (1,479.55) | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 03/21/02 | 02/20/32 | 91,192.34 | 99,352.55 | | | (905.82) | | 90,286.52 | 98,911.27 | 464.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 03/21/02 | 02/20/32 | 446,498.78 | 477,513.35 | | | (5,132.95) | | 441,365.83 | 481,149.97 | 8,769.57 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/17/02 | 04/20/32 | 1,073,649.77 | 1,169,761.41 | | | (85,824.14) | | 987,825.63 | 1,082,223.96 | (1,713.31) | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/17/02 | 03/20/32 | 89,251.80 | 97,240.72 | | | (500.41) | | 88,751.39 | 97,231.84 | 491.53 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 04/17/02 | 04/20/32 | 803,768.43 | 859,627.31 | | | (7,615.49) | | 796,152.94 | 867,945.15 | 15,933.33 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/29/02 | 04/20/32 | 58,055.18 | 63,252.64 | | | (323.13) | | 57,732.05 | 63,249.53 | 320.02 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 04/29/02 | 04/20/32 | 1,359,034.98 | 1,453,493.04 | | | (11,246.44) | | 1,347,788.54 | 1,469,335.72 | 27,089.12 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/29/02 | 04/20/32 | 531,586.33 | 579,177.29 | | | (64,034.06) | | 467,552.27 | 512,236.52 | (2,906.71) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 04/29/02 | 04/20/32 | 74,020.41 | 79,165.10 | | | (486.14) | | 73,534.27 | 80,165.79 | 1,486.83 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/15/02 | 05/20/32 | 176,161.71 | 191,936.30 | | | (1,005.85) | | 175,155.86 | 191,898.90 | 968.45 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 05/15/02 | 04/20/32 | 249,886.89 | 267,257.94 | | | (1,485.26) | | 248,401.63 | 270,805.89 | 5,033.21 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2001 A-E RMRB | 5.45 | 05/15/02 | 04/20/32 | 49,040.60 | 53,431.62 | | | (294.48) | | 48,746.12 | 53,405.36 | 268.22 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/29/02 | 08/20/32 | 13,748.02 | 14,980.44 | | | (7,659.57) | | 6,088.45 | 6,671.03 | (649.84) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 08/29/02 | 08/20/32 | 315,430.55 | 337,391.20 | | | (1,874.62) | | 313,555.93 | 341,870.42 | 6,353.84 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/03/02 | 05/20/32 | 91,294.22 | 99,470.46 | | | (508.44) | | 90,785.78 | 99,465.24 | 503.22 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 06/03/02 | 05/20/32 | 597,072.60 | 638,590.63 | | | (3,889.82) | | 593,182.78 | 646,697.07 | 11,996.26 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 06/10/02 | 05/20/32 | 270,856.89 | 289,692.68 | | | (1,832.99) | | 269,023.90 | 293,295.23 | 5,435.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/19/02 | 06/20/32 | 91,244.58 | 99,418.18 | | | (574.71) | | 90,669.87 | 99,339.94 | 496.47 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 06/19/02 | 06/20/32 | 170,372.22 | 182,222.54 | | | (1,029.62) | | 169,342.60 | 184,623.11 | 3,430.19 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/25/02 | 05/20/32 | 87,021.14 | 94,816.12 | | | (484.59) | | 86,536.55 | 94,811.10 | 479.57 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 06/25/02 | 06/20/32 | 177,891.49 | 190,265.59 | | | (1,082.74) | | 176,808.75 | 192,763.74 | 3,580.89 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/05/02 | 06/20/32 | 143,306.09 | 156,145.02 | | | (942.71) | | 142,363.38 | 155,978.25 | 775.94 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 07/05/02 | 06/20/32 | 588,857.64 | 629,822.87 | | | (3,811.02) | | 585,046.62 | 637,844.93 | 11,833.08 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/15/02 | 06/20/32 | 109,765.54 | 119,600.28 | | | (816.18) | | 108,949.36 | 119,369.41 | 585.31 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 07/15/02 | 06/20/32 | 268,660.50 | 287,352.24 | | | (1,855.32) | | 266,805.18 | 290,885.14 | 5,388.22 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/22/02 | 06/20/32 | 99,616.90 | 108,542.89 | | | (546.49) | | 99,070.41 | 108,546.18 | 549.78 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 07/22/02 | 07/20/32 | 221,445.05 | 236,854.65 | | | (1,892.10) | | 219,552.95 | 239,371.12 | 4,408.57 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/29/02 | 06/20/32 | 160,016.87 | 174,355.76 | | | (988.13) | | 159,028.74 | 174,240.02 | 872.39 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 07/29/02 | 07/20/32 | 256,754.40 | 274,622.52 | | | (1,515.85) | | 255,238.55 | 278,279.40 | 5,172.73 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/01/02 | 07/20/32 | 59,483.16 | 64,813.89 | | | (326.16) | | 59,157.00 | 64,816.09 | 328.36 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 08/01/02 | 06/20/32 | 51,849.37 | 55,457.34 | | | (334.20) | | 51,515.17 | 56,165.19 | 1,042.05 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/12/02 | 07/20/32 | 153,086.36 | 166,806.89 | | | (865.53) | | 152,220.83 | 166,783.77 | 842.41 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 08/12/02 | 07/20/32 | 221,572.89 | 236,994.77 | | | (1,406.63) | | 220,166.26 | 240,043.21 | 4,455.07 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/23/02 | 08/20/32 | 797,711.35 | 869,219.44 | | | (92,724.48) | | 704,986.87 | 772,443.83 | (4,051.13) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 08/23/02 | 08/20/32 | 678,074.53 | 725,279.98 | | | (4,150.63) | | 673,923.90 | 734,777.13 | 13,647.78 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/12/02 | 10/20/32 | 205,282.96 | 223,700.15 | | | (3,456.55) | | 201,826.41 | 221,153.38 | 909.78 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 09/12/02 | 08/20/32 | 218,574.66 | 238,171.12 | | | (1,306.23) | | 217,268.43 | 238,060.92 | 1,196.03 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 09/12/02 | 08/20/32 | 403,558.42 | 431,658.59 | | | (2,397.94) | | 401,160.48 | 437,389.78 | 8,129.13 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 09/19/02 | 09/20/32 | 332,635.88 | 355,801.93 | | | (2,729.60) | | 329,906.28 | 359,704.85 | 6,632.52 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 09/26/02 | 09/20/32 | 473,915.51 | 516,413.59 | | | (2,695.09) | | 471,220.42 | 516,324.87 | 2,606.37 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 09/26/02 | 09/20/32 | 356,145.01 | 380,950.23 | | | (2,119.72) | | 354,025.29 | 386,004.33 | 7,173.82 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 10/10/02 | 09/20/32 | 447,575.48 | 487,715.99 | | | (2,449.14) | | 445,126.34 | 487,737.57 | 2,470.72 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 10/10/02 | 09/20/32 | 205,588.29 | 219,909.35 | | | (1,322.81) | | 204,265.48 | 222,718.76 | 4,132.22 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 10/21/02 | 10/20/32 | 98,617.50 | 107,463.47 | | | (536.46) | | 98,081.04 | 107,471.70 | 544.69 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 10/21/02 | 10/20/32 | 284,413.49 | 304,229.71 | | | (2,322.29) | | 282,091.20 | 307,579.58 | 5,672.16 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 10/29/02 | 11/20/32 | 47,779.96 | 52,066.44 | | | (255.76) | | 47,524.20 | 52,075.04 | 264.36 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 10/29/02 | 11/20/32 | 292,223.24 | 312,587.38 | | | (1,778.13) | | 290,445.11 | 316,692.45 | 5,883.20 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/05/02 | 10/20/32 | 396,526.86 | 432,099.57 | | | (2,382.54) | | 394,144.32 | 431,885.57 | 2,168.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 11/05/02 | 10/20/32 | 241,027.72 | 257,823.69 | | | (1,384.75) | | 239,642.97 | 261,298.56 | 4,859.62 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/26/02 | 11/20/32 | 145,042.74 | 158,058.01 | | | (772.68) | | 144,270.06 | 158,088.01 | 802.68 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 11/26/02 | 11/20/32 | 73,976.50 | 79,133.22 | | | (428.15) | | 73,548.35 | 80,196.32 | 1,491.25 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/26/02 | 11/20/32 | 87,236.91 | 95,065.01 | | | (1,457.88) | | 85,779.03 | 93,994.78 | 387.65 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 12/12/02 | 11/20/32 | 71,243.00 | 76,210.01 | | | (416.06) | | 70,826.94 | 77,229.79 | 1,435.84 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/12/02 | 11/20/32 | 286,877.38 | 312,623.45 | | | (1,675.84) | | 285,201.54 | 312,521.07 | 1,573.46 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/19/02 | 12/20/32 | 297,306.06 | 323,991.63 | | | (1,733.76) | | 295,572.30 | 323,888.82 | 1,630.95 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 12/19/02 | 11/20/32 | 60,356.16 | 64,564.40 | | | (2,353.91) | | 58,002.25 | 63,245.98 | 1,035.49 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/30/02 | 12/20/32 | 213,518.48 | 232,685.10 | | | (1,737.14) | | 211,781.34 | 232,072.36 | 1,124.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/30/02 | 12/20/32 | 40,870.40 | 44,539.16 | | | (218.99) | | 40,651.41 | 44,546.27 | 226.10 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/09/03 | 12/20/32 | 50,668.14 | 55,216.78 | | | (422.15) | | 50,245.99 | 55,060.45 | 265.82 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/23/03 | 01/20/33 | 357,225.52 | 389,207.54 | | | (2,023.73) | | 355,201.79 | 389,135.39 | 1,951.58 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 01/23/03 | 01/20/33 | 191,073.75 | 204,313.25 | | | (1,966.97) | | 189,106.78 | 206,132.67 | 3,786.39 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/23/03 | 01/20/33 | 87,389.13 | 95,212.99 | | | (459.06) | | 86,930.07 | 95,234.79 | 480.86 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 01/23/03 | 01/20/33 | 40,497.18 | 43,303.22 | | | (948.15) | | 39,549.03 | 43,109.76 | 754.69 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/30/03 | 12/20/32 | 186,069.88 | 202,776.85 | | | (1,378.78) | | 184,691.10 | 202,390.66 | 992.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 01/30/03 | 01/20/33 | 67,906.83 | 72,612.46 | | | (523.62) | | 67,383.21 | 73,450.31 | 1,361.47 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 02/12/03 | 01/20/33 | 221,060.47 | 240,855.17 | | | (1,330.92) | | 219,729.55 | 240,724.43 | 1,200.18 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 02/12/03 | 02/20/33 | 151,259.73 | 161,743.93 | | | (856.51) | | 150,403.22 | 163,947.98 | 3,060.56 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 02/20/03 | 02/20/33 | 169,092.05 | 184,235.50 | | | (1,161.75) | | 167,930.30 | 183,978.05 | 904.30 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 02/27/03 | 02/20/33 | 130,801.24 | 139,868.83 | | | (824.86) | | 129,976.38 | 141,683.01 | 2,639.04 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 03/12/03 | 02/20/33 | 151,403.95 | 161,901.08 | | | (851.64) | | 150,552.31 | 164,113.47 | 3,064.03 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 03/20/03 | 02/20/33 | 248,011.14 | 270,227.56 | | | (2,096.74) | | 245,914.40 | 269,419.62 | 1,288.80 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2001 A-E RMRB | 4.95 | 03/20/03 | 02/20/33 | 95,976.12 | 102,630.95 | | | (614.74) | | 95,361.38 | 103,951.79 | 1,935.58 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/02/03 | 03/20/33 | 107,045.77 | 116,636.51 | | | (665.92) | | 106,379.85 | 116,549.71 | 579.12 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/10/03 | 03/20/33 | 115,706.94 | 126,074.32 | | | (706.28) | | 115,000.66 | 125,995.30 | 627.26 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/17/03 | 03/20/33 | 45,096.26 | 49,137.15 | | | (786.51) | | 44,309.75 | 48,546.23 | 195.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 04/29/03 | 04/20/33 | 209,135.31 | 227,878.49 | | | (1,110.07) | | 208,025.24 | 227,918.09 | 1,149.67 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/08/03 | 04/20/33 | 146,534.84 | 159,668.58 | | | (770.86) | | 145,763.98 | 159,703.93 | 806.21 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/22/03 | 04/20/33 | 93,689.22 | 102,087.40 | | | (48,569.51) | | 45,119.71 | 49,435.12 | (4,082.77) | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 05/29/03 | 05/20/33 | 269,634.26 | 293,807.18 | | | (1,408.94) | | 268,225.32 | 293,882.63 | 1,484.39 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/10/03 | 05/20/33 | 95,031.17 | 103,551.62 | | | (483.69) | | 94,547.48 | 103,592.33 | 524.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/19/03 | 06/20/33 | 106,732.85 | 116,303.99 | | | (688.79) | | 106,044.06 | 116,190.25 | 575.05 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/19/03 | 06/20/33 | 140,649.69 | 153,262.29 | | | (1,235.57) | | 139,414.12 | 152,753.12 | 726.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 06/26/03 | 06/20/33 | 95,971.15 | 104,577.78 | | | (714.88) | | 95,256.27 | 104,370.82 | 507.92 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/10/03 | 06/20/33 | 47,154.29 | 51,383.52 | | | (236.24) | | 46,918.05 | 51,407.85 | 260.57 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/17/03 | 07/20/33 | 50,479.08 | 55,007.12 | | | (251.22) | | 50,227.86 | 55,035.00 | 279.10 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 07/24/03 | 07/20/33 | 47,014.14 | 51,231.63 | | | (238.15) | | 46,775.99 | 51,253.02 | 259.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/07/03 | 07/20/33 | 87,084.46 | 94,897.48 | | | (737.47) | | 86,346.99 | 94,612.40 | 452.39 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 08/28/03 | 08/20/33 | 51,252.35 | 55,851.72 | | | (323.48) | | 50,928.87 | 55,805.12 | 276.88 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 10/23/03 | 10/20/33 | 47,221.92 | 51,462.24 | | | (241.53) | | 46,980.39 | 51,481.18 | 260.47 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/20/03 | 10/20/33 | 50,483.06 | 55,017.33 | | | (248.09) | | 50,234.97 | 55,048.67 | 279.43 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 11/26/03 | 06/20/33 | 60,321.18 | 65,737.76 | | | (322.93) | | 59,998.25 | 65,746.11 | 331.28 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/04/03 | 11/20/33 | 233,956.96 | 254,974.54 | | | (1,148.13) | | 232,808.83 | 255,121.52 | 1,295.11 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 12/11/03 | 12/20/33 | 57,050.55 | 62,176.33 | | | (282.98) | | 56,767.57 | 62,208.87 | 315.52 | 0.00 |
| GNMA | 2001 A-E RMRB | | | | 85,501.56 | 91,363.25 | | | (85,501.56) | | | | (5,861.69) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 01/22/04 | 01/20/34 | 239,578.29 | 255,400.39 | | | (1,289.79) | | 238,288.50 | 258,927.02 | 4,816.42 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/22/04 | 12/20/33 | 49,563.41 | 54,018.13 | | | (238.66) | | 49,324.75 | 54,054.27 | 274.80 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 01/29/04 | 11/20/33 | 48,862.80 | 53,254.50 | | | (256.18) | | 48,606.62 | 53,267.18 | 268.86 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 02/12/04 | 11/20/33 | 48,878.29 | 53,271.91 | | | (311.71) | | 48,566.58 | 53,223.83 | 263.63 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.45 | 03/11/04 | 02/20/34 | 49,954.46 | 54,397.01 | | | (240.16) | | 49,714.30 | 54,418.58 | 261.73 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 03/11/04 | 02/20/34 | 121,538.24 | 129,876.37 | | | (625.18) | | 120,913.06 | 131,697.86 | 2,446.67 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.95 | 04/08/04 | 02/20/34 | 95,796.47 | 102,129.29 | | | (490.96) | | 95,305.51 | 103,566.22 | 1,927.89 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/16/04 | 04/20/34 | 47,865.44 | 52,176.19 | | | (275.91) | | 47,589.53 | 52,131.08 | 230.80 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.45 | 04/17/02 | 03/01/32 | 266,301.88 | 286,046.95 | | | (1,665.06) | | 264,636.82 | 286,780.32 | 2,398.43 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.95 | 05/15/02 | 04/01/32 | 68,879.06 | 72,704.87 | | | (411.14) | | 68,467.92 | 73,440.76 | 1,147.03 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.95 | 06/10/02 | 06/01/32 | 75,603.23 | 79,803.81 | | | (1,486.41) | | 74,116.82 | 79,501.22 | 1,183.82 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.95 | 07/22/02 | 06/01/32 | 134,562.69 | 142,040.95 | | | (1,230.34) | | 133,332.35 | 143,020.47 | 2,209.86 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.45 | 09/19/02 | 08/01/32 | 224,659.33 | 241,333.03 | | | (1,251.06) | | 223,408.27 | 242,118.25 | 2,036.28 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.95 | 09/26/02 | 09/01/32 | 81,630.46 | 86,169.80 | | | (473.40) | | 81,157.06 | 87,056.84 | 1,360.44 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.45 | 01/23/03 | 11/01/32 | 211,345.81 | 227,043.02 | | | (1,208.03) | | 210,137.78 | 227,748.04 | 1,913.05 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.95 | 07/24/03 | 09/01/32 | 204,590.38 | 215,989.00 | | | (1,433.90) | | 203,156.48 | 217,946.76 | 3,391.66 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.45 | 04/08/04 | 01/01/32 | 23,395.11 | 25,135.78 | | | (243.86) | | 23,151.25 | 25,094.37 | 202.45 | 0.00 |
| Repo Agmt | 2001 A-E RMRB | 0.20 | 08/31/10 | 09/01/10 | 496.43 | 496.43 | 38,826.76 | | | | 39,323.19 | 39,323.19 | - | 0.00 |
| Repo Agmt | 2001 A-E RMRB | 0.20 | 08/31/10 | 09/01/10 | 183.83 | 183.83 | 0.00 | | | | 183.83 | 183.83 | - | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 03/12/03 | 03/20/33 | 4,600.38 | 5,017.67 | | | (23.47) | | 4,576.91 | 5,018.21 | 24.01 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 03/20/03 | 02/20/33 | 11,140.88 | 12,151.45 | | | (57.48) | | 11,083.40 | 12,152.08 | 58.11 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/02/03 | 03/20/33 | 19,171.30 | 20,910.59 | | | (109.45) | | 19,061.85 | 20,900.10 | 98.96 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/02/03 | 03/20/33 | 10,483.83 | 11,155.15 | | | (61.58) | | 10,422.25 | 11,325.05 | 231.48 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/10/03 | 04/20/33 | 47,057.39 | 50,071.34 | | | (263.67) | | 46,793.72 | 50,847.80 | 1,040.13 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/17/03 | 04/20/33 | 33,335.57 | 36,360.48 | | | (208.39) | | 33,127.18 | 36,322.45 | 170.36 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/17/03 | 03/20/33 | 8,893.64 | 9,463.24 | | | (65.30) | | 8,828.34 | 9,593.18 | 195.24 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/24/03 | 04/20/33 | 10,579.83 | 11,257.54 | | | (58.89) | | 10,520.94 | 11,432.54 | 233.89 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/29/03 | 04/20/33 | 6,637.73 | 7,240.13 | | | (34.98) | | 6,602.75 | 7,239.69 | 34.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/29/03 | 03/20/33 | 9,022.86 | 9,600.80 | | | (53.13) | | 8,969.73 | 9,746.90 | 199.23 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/08/03 | 05/20/33 | 26,427.08 | 28,825.71 | | | (135.88) | | 26,291.20 | 28,827.69 | 137.86 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/15/03 | 05/20/33 | 14,289.90 | 15,586.99 | | | (72.38) | | 14,217.52 | 15,589.25 | 74.64 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 05/15/03 | 04/20/33 | 13,259.55 | 14,109.13 | | | (79.93) | | 13,179.62 | 14,321.79 | 292.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/22/03 | 05/20/33 | 35,254.98 | 38,455.22 | | | (226.62) | | 35,028.36 | 38,408.16 | 179.56 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 05/22/03 | 04/20/33 | 12,663.68 | 13,475.14 | | | (70.83) | | 12,592.85 | 13,684.24 | 279.93 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/29/03 | 05/20/33 | 5,619.03 | 6,129.17 | | | (31.86) | | 5,587.17 | 6,126.34 | 29.03 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 05/29/03 | 05/20/33 | 18,756.41 | 19,958.53 | | | (104.69) | | 18,651.72 | 20,268.47 | 414.63 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/10/03 | 05/20/33 | 10,669.63 | 11,638.28 | | | (53.59) | | 10,616.04 | 11,640.48 | 55.79 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2001 A-E RMRB | | | | 8,558.69 | 9,107.26 | | | (8,558.69) | | | | (548.57) | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/19/03 | 06/20/33 | 5,464.52 | 5,960.70 | | | (27.30) | | 5,437.22 | 5,961.99 | 28.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 06/19/03 | 06/20/33 | 9,873.93 | 10,507.01 | | | (54.18) | | 9,819.75 | 10,671.19 | 218.36 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/19/03 | 06/20/33 | 12,255.99 | 13,368.83 | | | (73.58) | | 12,182.41 | 13,358.16 | 62.91 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 06/19/03 | 06/20/33 | 6,290.03 | 6,693.26 | | | (35.18) | | 6,254.85 | 6,797.12 | 139.04 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/26/03 | 06/20/33 | 4,790.17 | 5,225.19 | | | (24.87) | | 4,765.30 | 5,225.27 | 24.95 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/03/03 | 06/20/33 | 13,847.14 | 15,104.63 | | | (97.79) | | 13,749.35 | 15,076.51 | 69.67 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/10/03 | 06/20/33 | 14,527.57 | 15,846.95 | | | (83.62) | | 14,443.95 | 15,838.25 | 74.92 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 07/10/03 | 06/20/33 | 13,435.85 | 14,297.50 | | | (74.22) | | 13,361.63 | 14,520.37 | 297.09 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 07/17/03 | 06/20/33 | 48,236.33 | 51,329.79 | | | (325.97) | | 47,910.36 | 52,065.24 | 1,061.42 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/24/03 | 07/20/33 | 36,393.62 | 39,699.43 | | | (248.08) | | 36,145.54 | 39,635.31 | 183.96 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 07/24/03 | 07/20/33 | 36,899.93 | 39,266.84 | | | (208.20) | | 36,691.73 | 39,874.18 | 815.54 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/30/03 | 07/20/33 | 6,503.12 | 7,093.88 | | | (32.18) | | 6,470.94 | 7,095.75 | 34.05 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/07/03 | 07/20/33 | 25,678.70 | 28,011.53 | | | (166.50) | | 25,512.20 | 27,975.67 | 130.64 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 08/07/03 | 06/20/33 | 10,235.95 | 10,892.58 | | | (56.21) | | 10,179.74 | 11,062.72 | 226.35 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/14/03 | 08/20/33 | 15,354.98 | 16,750.10 | | | (76.68) | | 15,278.30 | 16,753.74 | 80.32 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 08/14/03 | 07/20/33 | 17,454.25 | 18,574.16 | | | (99.04) | | 17,355.21 | 18,860.83 | 385.71 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/21/03 | 08/20/33 | 5,938.18 | 6,477.76 | | | (30.35) | | 5,907.83 | 6,478.40 | 30.99 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 08/28/03 | 08/20/33 | 12,065.30 | 12,839.60 | | | (68.66) | | 11,996.64 | 13,037.57 | 266.63 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/04/03 | 08/20/33 | 5,013.35 | 5,468.92 | | | (28.91) | | 4,984.44 | 5,465.86 | 25.85 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/18/03 | 09/20/33 | 24,562.61 | 26,795.15 | | | (131.79) | | 24,430.82 | 26,790.97 | 127.61 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 09/18/03 | 09/20/33 | 31,994.92 | 34,048.96 | | | (174.88) | | 31,820.04 | 34,581.74 | 707.66 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 09/18/03 | 09/20/33 | 7,037.41 | 7,489.19 | | | (37.89) | | 6,999.52 | 7,606.99 | 155.69 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/29/03 | 09/20/33 | 30,193.52 | 32,938.13 | | | (155.55) | | 30,037.97 | 32,940.07 | 157.49 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 09/29/03 | 09/20/33 | 32,411.68 | 34,492.78 | | | (192.60) | | 32,219.08 | 35,015.71 | 715.53 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 10/16/03 | 09/20/33 | 9,378.76 | 10,231.42 | | | (46.92) | | 9,331.84 | 10,233.54 | 49.04 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 10/30/03 | 10/20/33 | 21,940.43 | 23,893.88 | | | (126.23) | | 21,814.20 | 23,881.05 | 113.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 10/30/03 | 10/20/33 | 151,103.29 | 160,430.54 | | | (901.16) | | 150,202.13 | 162,864.25 | 3,334.87 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 11/13/03 | 10/20/33 | 10,166.97 | 11,072.29 | | | (50.06) | | 10,116.91 | 11,075.59 | 53.36 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 11/13/03 | 10/20/33 | 98,489.55 | 104,817.23 | | | (545.48) | | 97,944.07 | 106,449.55 | 2,177.80 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 11/20/03 | 11/20/33 | 143,530.50 | 152,393.48 | | | (892.19) | | 142,638.31 | 154,666.01 | 3,164.72 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 11/26/03 | 10/20/33 | 5,775.09 | 6,300.35 | | | (58.75) | | 5,716.34 | 6,268.91 | 27.31 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 11/26/03 | 11/20/33 | 34,021.16 | 36,207.50 | | | (194.26) | | 33,826.90 | 36,765.03 | 751.79 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/04/03 | 12/20/33 | 55,114.50 | 58,518.75 | | | (380.71) | | 54,733.79 | 59,350.13 | 1,212.09 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/04/03 | 11/20/33 | 4,750.10 | 5,182.15 | | | (23.35) | | 4,726.75 | 5,183.69 | 24.89 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/11/03 | 12/20/33 | 31,237.64 | 33,167.22 | | | (239.80) | | 30,997.84 | 33,612.34 | 684.92 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/11/03 | 09/20/33 | 9,858.55 | 10,755.22 | | | (51.31) | | 9,807.24 | 10,755.26 | 51.35 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/18/03 | 12/20/33 | 5,321.80 | 5,805.99 | | | (33.24) | | 5,288.56 | 5,799.96 | 27.21 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/18/03 | 12/20/33 | 12,567.61 | 13,375.55 | | | (67.29) | | 12,500.32 | 13,586.38 | 278.12 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/23/03 | 12/20/33 | 5,816.41 | 6,345.64 | | | (28.49) | | 5,787.92 | 6,347.62 | 30.47 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/23/03 | 12/20/33 | 5,287.68 | 5,614.33 | | | (27.94) | | 5,259.74 | 5,703.41 | 117.02 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/15/04 | 01/20/34 | 18,398.58 | 20,053.87 | | | (207.27) | | 18,191.31 | 19,925.68 | 79.08 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/22/04 | 01/20/34 | 36,636.29 | 39,863.25 | | | (240.87) | | 36,395.42 | 39,797.06 | 174.68 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 01/22/04 | 01/20/34 | 36,251.39 | 38,547.21 | | | (198.71) | | 36,052.68 | 39,149.82 | 801.32 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/29/04 | 01/20/34 | 5,629.60 | 6,136.17 | | | (62.81) | | 5,566.79 | 6,097.60 | 24.24 | 0.00 |
| GNMA | 2001 A-E RMRB | | | | 7,905.61 | 8,414.04 | | | (7,905.61) | | | | (508.43) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 02/12/04 | 01/20/34 | 19,271.94 | 20,444.36 | | | (117.24) | | 19,154.70 | 20,752.21 | 425.09 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 02/12/04 | 02/20/34 | 33,139.62 | 36,122.11 | | | (4,673.63) | | 28,465.99 | 31,180.77 | (267.71) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 02/26/04 | 02/20/34 | 25,409.04 | 26,955.30 | | | (139.52) | | 25,269.52 | 27,377.49 | 561.71 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 02/26/04 | 02/20/34 | 9,945.48 | 10,821.81 | | | (48.96) | | 9,896.52 | 10,821.80 | 48.95 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 03/11/04 | 03/20/34 | 10,717.52 | 11,369.96 | | | (55.66) | | 10,661.86 | 11,551.51 | 237.21 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 03/11/04 | 03/20/34 | 48,170.08 | 52,506.61 | | | (249.42) | | 47,920.66 | 52,492.16 | 234.97 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 03/25/04 | 03/20/34 | 22,003.59 | 23,943.04 | | | (105.17) | | 21,898.42 | 23,946.46 | 108.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/09/04 | 07/20/34 | 7,390.08 | 8,056.22 | | | (38.13) | | 7,351.95 | 8,054.14 | 36.05 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 07/08/04 | 06/20/34 | 9,247.08 | 9,810.95 | | | (48.36) | | 9,198.72 | 9,967.24 | 204.65 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/01/04 | 04/20/34 | 21,690.01 | 29,789.62 | | | (52.24) | | 21,637.77 | 29,782.05 | 44.67 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/22/04 | 04/20/34 | 24,608.13 | 26,168.76 | | | (129.78) | | 24,478.35 | 26,583.38 | 544.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/22/04 | 04/20/34 | 18,014.62 | 19,637.09 | | | (86.22) | | 17,928.40 | 19,639.43 | 88.56 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 04/29/04 | 04/20/34 | 21,160.48 | 22,449.47 | | | (128.05) | | 21,032.43 | 22,788.26 | 466.84 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 04/29/04 | 04/20/34 | 10,082.31 | 10,990.41 | | | (49.55) | | 10,032.76 | 10,990.28 | 49.42 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2001 A-E RMRB | 4.80 | 05/06/04 | 04/20/34 | 16,580.54 | 17,632.25 | | | (88.34) | | 16,492.20 | 17,910.65 | 366.74 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/06/04 | 04/20/34 | 6,651.75 | 7,250.89 | | | (34.55) | | 6,617.20 | 7,248.77 | 32.43 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 05/13/04 | 04/20/34 | 10,418.03 | 11,078.89 | | | (53.83) | | 10,364.20 | 11,255.65 | 230.59 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/27/04 | 05/20/34 | 17,809.95 | 19,414.58 | | | (108.94) | | 17,701.01 | 19,390.91 | 85.27 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/03/04 | 05/20/34 | 6,292.49 | 6,859.47 | | | (29.13) | | 6,263.36 | 6,861.37 | 31.03 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 06/24/04 | 06/20/34 | 3,433.23 | 3,742.65 | | | (16.74) | | 3,416.49 | 3,742.75 | 16.84 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/02/04 | 08/20/34 | 15,365.75 | 16,722.52 | | | (82.37) | | 15,283.38 | 16,715.16 | 75.01 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/09/04 | 09/20/34 | 14,044.32 | 15,311.14 | | | (63.90) | | 13,980.42 | 15,316.59 | 69.35 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/16/04 | 09/20/34 | 16,227.96 | 17,691.80 | | | (73.47) | | 16,154.49 | 17,698.49 | 80.16 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 09/29/04 | 09/20/34 | 13,145.85 | 13,981.51 | | | (66.06) | | 13,079.79 | 14,206.57 | 291.12 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/29/04 | 09/20/34 | 9,101.81 | 9,922.95 | | | (41.03) | | 9,060.78 | 9,926.88 | 44.96 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 10/07/04 | 09/20/34 | 11,711.71 | 12,768.39 | | | (54.25) | | 11,657.46 | 12,771.88 | 57.74 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 10/07/04 | 09/20/34 | 12,930.80 | 13,752.88 | | | (66.41) | | 12,864.39 | 13,972.71 | 286.24 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/15/04 | 04/20/34 | 11,276.41 | 12,292.77 | | | (53.15) | | 11,223.26 | 12,295.13 | 55.51 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/22/04 | 07/20/34 | 10,966.76 | 11,955.49 | | | (50.37) | | 10,916.39 | 11,959.22 | 54.10 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/05/04 | 08/20/34 | 6,786.16 | 7,398.09 | | | (31.90) | | 6,754.26 | 7,399.62 | 33.43 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/19/04 | 08/20/34 | 20,640.04 | 22,501.38 | | | (127.16) | | 20,512.88 | 22,472.94 | 98.72 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/02/04 | 11/20/34 | 20,996.16 | 22,891.74 | | | (98.94) | | 20,897.22 | 22,896.14 | 103.34 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/02/04 | 11/20/34 | 24,345.57 | 25,894.70 | | | (123.20) | | 24,222.37 | 26,310.63 | 539.13 | 0.00 |
| GNMA | 2001 A-E RMRB | | | | 3,043.58 | 3,237.05 | | | (3,043.58) | | | | (193.47) | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 10/28/04 | 09/20/34 | 1,820.40 | 1,931.59 | | | (53.07) | | 1,767.33 | 1,915.16 | 36.64 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 10/28/04 | 10/20/34 | 14,049.25 | 15,317.16 | | | (64.46) | | 13,984.79 | 15,322.02 | 69.32 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/29/04 | 12/20/34 | 11,657.50 | 12,710.24 | | | (52.19) | | 11,605.31 | 12,715.70 | 57.65 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/29/04 | 12/20/34 | 14,177.46 | 15,079.98 | | | (69.51) | | 14,107.95 | 15,324.61 | 314.14 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/06/05 | 01/20/35 | 10,612.70 | 11,557.92 | | | (46.66) | | 10,566.04 | 11,566.87 | 55.61 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/27/05 | 01/20/35 | 31,717.62 | 34,482.81 | | | (139.66) | | 31,577.96 | 34,509.57 | 166.42 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 03/10/05 | 12/20/34 | 11,259.67 | 12,277.19 | | | (49.88) | | 11,209.79 | 12,283.03 | 55.72 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 05/05/05 | 03/20/35 | 6,246.43 | 6,803.36 | | | (28.41) | | 6,218.02 | 6,807.59 | 32.64 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 07/07/05 | 06/20/35 | 7,751.21 | 8,442.86 | | | (34.20) | | 7,717.01 | 8,449.26 | 40.60 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 07/07/05 | 06/20/35 | 8,192.06 | 8,557.97 | | | (40.09) | | 8,151.97 | 8,701.60 | 183.72 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 06/02/05 | 04/20/35 | 25,407.81 | 26,481.10 | | | (141.46) | | 25,266.35 | 26,907.92 | 568.28 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/08/05 | 08/20/35 | 13,434.11 | 14,608.26 | | | (63.91) | | 13,370.20 | 14,614.40 | 70.05 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 09/15/05 | 09/20/35 | 25,106.49 | 27,301.06 | | | (111.26) | | 24,995.23 | 27,321.45 | 131.65 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 08/04/05 | 08/20/35 | 26,017.65 | 28,340.16 | | | (110.65) | | 25,907.00 | 28,366.19 | 136.68 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 10/13/05 | 09/20/35 | 12,593.11 | 13,154.36 | | | (63.25) | | 12,529.86 | 13,373.40 | 282.29 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 10/13/05 | 10/20/35 | 14,348.89 | 15,630.70 | | | (60.67) | | 14,288.22 | 15,645.43 | 75.40 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/19/05 | 12/20/35 | 18,842.66 | 20,527.12 | | | (107.53) | | 18,735.13 | 20,515.97 | 96.38 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 11/17/05 | 11/20/35 | 25,492.65 | 27,770.83 | | | (106.71) | | 25,385.94 | 27,798.19 | 134.07 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 11/22/05 | 10/20/35 | 23,555.81 | 24,303.12 | | | (127.17) | | 23,428.64 | 24,701.47 | 525.52 | 0.00 |
| GNMA | 2001 A-E RMRB | 4.80 | 12/22/05 | 12/20/35 | 14,753.00 | 15,409.45 | | | (70.22) | | 14,682.78 | 15,670.19 | 330.96 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 12/29/05 | 11/20/35 | 18,598.45 | 20,261.16 | | | (77.23) | | 18,521.22 | 20,281.80 | 97.87 | 0.00 |
| GNMA | 2001 A-E RMRB | 5.49 | 01/12/06 | 01/20/36 | 8,039.55 | 8,742.90 | | | (32.71) | | 8,006.84 | 8,753.51 | 43.32 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 05/29/03 | 04/01/33 | 26,967.77 | 29,009.78 | | | (139.91) | | 26,827.86 | 29,093.44 | 223.57 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.80 | 09/18/03 | 07/01/33 | 8,064.15 | 8,463.65 | | | (45.42) | | 8,018.73 | 8,595.91 | 177.68 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 12/04/03 | 11/01/33 | 5,955.28 | 6,406.82 | | | (29.35) | | 5,925.93 | 6,426.96 | 49.49 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.80 | 01/15/04 | 11/01/33 | 29,409.56 | 30,868.20 | | | (376.30) | | 29,033.26 | 31,124.78 | 632.88 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.80 | 02/26/04 | 01/01/34 | 10,020.28 | 10,502.38 | | | (94.39) | | 9,925.89 | 10,623.72 | 215.73 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 04/08/04 | 06/01/33 | 7,123.32 | 7,663.49 | | | (39.57) | | 7,083.75 | 7,682.75 | 58.83 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 09/01/04 | 08/01/34 | 25,973.65 | 28,035.31 | | | (122.34) | | 25,851.31 | 28,096.63 | 183.66 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.80 | 11/10/04 | 10/01/34 | 6,468.73 | 6,780.72 | | | (37.82) | | 6,430.91 | 6,883.81 | 140.91 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 07/14/05 | 05/01/35 | 4,087.05 | 4,386.41 | | | (18.42) | | 4,068.63 | 4,394.58 | 26.59 | 0.00 |
| FNMA | 2001 A-E RMRB | 5.49 | 11/03/05 | 10/01/35 | 14,454.19 | 15,513.80 | | | (78.26) | | 14,375.93 | 15,528.49 | 92.95 | 0.00 |
| FNMA | 2001 A-E RMRB | 4.80 | 12/15/05 | 10/01/35 | 7,511.92 | 7,727.65 | | | (59.51) | | 7,452.41 | 7,824.86 | 156.72 | 0.00 |
| | **2001 A-E RMRB Total** | | | | 36,590,146.30 | 39,267,587.70 | 106,447.67 | (586,758.96) | (971,974.18) | 0.00 | 35,137,860.83 | 38,104,029.24 | 288,727.01 | 0.00 |
| Repo Agmt | 2002 RMRB | 0.20 | 08/31/10 | 09/01/10 | 367,964.66 | 367,964.66 | | (254,689.77) | | | 113,274.89 | 113,274.89 | - | 0.00 |
| GIC's | 2002 RMRB | 4.20 | 12/18/02 | 04/01/34 | 912,181.52 | 912,181.52 | | (494,436.17) | | | 417,745.35 | 417,745.35 | - | 0.00 |
| Repo Agmt | 2002 RMRB | 0.20 | 08/31/10 | 09/01/10 | 0.78 | 0.78 | 3,475.13 | | | | 3,475.91 | 3,475.91 | - | 0.00 |
| GIC's | 2002 RMRB | 4.20 | 12/18/02 | 04/01/34 | 126,181.08 | 126,181.08 | 2,312.41 | | | | 128,493.49 | 128,493.49 | - | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/12/03 | 03/20/33 | 37,605.01 | 41,016.04 | | | (191.95) | | 37,413.06 | 41,020.44 | 196.35 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 RMRB | 5.49 | 03/20/03 | 02/20/33 | 91,069.27 | 99,329.83 | | | (469.83) | | 90,599.44 | 99,334.92 | 474.92 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/02/03 | 03/20/33 | 156,712.27 | 170,929.72 | | | (894.73) | | 155,817.54 | 170,843.93 | 808.94 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/02/03 | 03/20/33 | 85,698.08 | 91,185.76 | | | (503.38) | | 85,194.70 | 92,574.56 | 1,892.18 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/10/03 | 04/20/33 | 384,661.99 | 409,298.83 | | | (2,155.28) | | 382,506.71 | 415,645.87 | 8,502.32 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/17/03 | 04/20/33 | 272,495.55 | 297,221.92 | | | (1,703.52) | | 270,792.03 | 296,911.03 | 1,392.63 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/17/03 | 03/20/33 | 72,699.48 | 77,355.55 | | | (533.80) | | 72,165.68 | 78,417.69 | 1,595.94 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/24/03 | 04/20/33 | 86,482.82 | 92,022.71 | | | (481.39) | | 86,001.43 | 93,453.17 | 1,911.85 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/29/03 | 04/20/33 | 54,259.08 | 59,183.09 | | | (285.96) | | 53,973.12 | 59,179.52 | 282.39 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/29/03 | 03/20/33 | 73,755.67 | 78,479.97 | | | (434.16) | | 73,321.51 | 79,674.23 | 1,628.42 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/08/03 | 05/20/33 | 216,023.29 | 235,630.39 | | | (1,110.75) | | 214,912.54 | 235,646.55 | 1,126.91 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/15/03 | 05/20/33 | 116,810.20 | 127,412.97 | | | (591.72) | | 116,218.48 | 127,431.46 | 610.21 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 05/15/03 | 04/20/33 | 108,387.81 | 115,332.49 | | | (653.47) | | 107,734.34 | 117,070.80 | 2,391.78 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/22/03 | 05/20/33 | 288,185.38 | 314,345.02 | | | (1,852.58) | | 286,332.80 | 313,960.34 | 1,467.90 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 05/22/03 | 04/20/33 | 103,516.92 | 110,150.06 | | | (578.98) | | 102,937.94 | 111,859.28 | 2,288.20 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/29/03 | 05/20/33 | 45,932.14 | 50,101.77 | | | (260.36) | | 45,671.78 | 50,078.68 | 237.27 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 05/29/03 | 05/20/33 | 153,321.01 | 163,147.31 | | | (855.75) | | 152,465.26 | 165,680.85 | 3,389.29 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/10/03 | 05/20/33 | 87,216.75 | 95,134.97 | | | (438.00) | | 86,778.75 | 95,152.96 | 455.99 | 0.00 |
| GNMA | 2002 RMRB | | | | 69,961.20 | 74,445.62 | | | (69,961.20) | | | | (4,484.42) | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/19/03 | 06/20/33 | 44,668.64 | 48,724.64 | | | (223.10) | | 44,445.54 | 48,735.20 | 233.66 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 06/19/03 | 06/20/33 | 80,712.99 | 85,887.62 | | | (442.87) | | 80,270.12 | 87,229.67 | 1,784.92 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/19/03 | 06/20/33 | 100,184.12 | 109,281.08 | | | (601.51) | | 99,582.61 | 109,193.86 | 514.29 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 06/19/03 | 06/20/33 | 51,416.36 | 54,712.83 | | | (287.62) | | 51,128.74 | 55,561.78 | 1,136.57 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/26/03 | 06/20/33 | 39,156.66 | 42,712.35 | | | (203.38) | | 38,953.28 | 42,713.04 | 204.07 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/03/03 | 06/20/33 | 113,190.82 | 123,470.03 | | | (799.37) | | 112,391.45 | 123,240.16 | 569.50 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/10/03 | 06/20/33 | 118,753.03 | 129,537.91 | | | (683.53) | | 118,069.50 | 129,466.83 | 612.45 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 07/10/03 | 06/20/33 | 109,829.22 | 116,872.24 | | | (606.73) | | 109,222.49 | 118,693.99 | 2,428.48 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 07/17/03 | 06/20/33 | 394,298.35 | 419,585.77 | | | (2,664.56) | | 391,633.79 | 425,597.56 | 8,676.35 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/24/03 | 07/20/33 | 297,492.70 | 324,515.52 | | | (2,027.92) | | 295,464.78 | 323,991.40 | 1,503.80 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 07/24/03 | 07/20/33 | 301,631.41 | 320,979.38 | | | (1,701.90) | | 299,929.51 | 325,943.97 | 6,666.49 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/30/03 | 07/20/33 | 53,158.75 | 57,987.64 | | | (263.04) | | 52,895.71 | 58,002.90 | 278.30 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/07/03 | 07/20/33 | 209,905.89 | 228,975.05 | | | (1,360.97) | | 208,544.92 | 228,681.89 | 1,067.81 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 08/07/03 | 06/20/33 | 83,671.93 | 89,039.40 | | | (459.48) | | 83,212.45 | 90,430.19 | 1,850.27 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/14/03 | 08/20/33 | 125,516.38 | 136,920.62 | | | (626.83) | | 124,889.55 | 136,950.35 | 656.56 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 08/14/03 | 07/20/33 | 142,676.79 | 151,830.99 | | | (809.64) | | 141,867.15 | 154,174.34 | 3,152.99 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/21/03 | 08/20/33 | 48,540.66 | 52,951.26 | | | (248.11) | | 48,292.55 | 52,956.51 | 253.36 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 08/28/03 | 08/20/33 | 98,625.52 | 104,954.96 | | | (561.22) | | 98,064.30 | 106,573.24 | 2,179.50 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/04/03 | 08/20/33 | 40,980.67 | 44,704.73 | | | (236.35) | | 40,744.32 | 44,679.68 | 211.30 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/18/03 | 09/20/33 | 200,782.56 | 219,031.96 | | | (1,077.23) | | 199,705.33 | 218,997.82 | 1,043.09 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 09/18/03 | 09/20/33 | 261,536.50 | 278,326.89 | | | (1,429.47) | | 260,107.03 | 282,681.98 | 5,784.56 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 09/18/03 | 09/20/33 | 57,525.91 | 61,219.04 | | | (309.82) | | 57,216.09 | 62,181.96 | 1,272.74 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/29/03 | 09/20/33 | 246,811.44 | 269,246.60 | | | (1,271.49) | | 245,539.95 | 269,262.40 | 1,287.29 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 09/29/03 | 09/20/33 | 264,943.35 | 281,954.80 | | | (1,574.41) | | 263,368.94 | 286,229.37 | 5,848.98 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 10/16/03 | 09/20/33 | 76,664.95 | 83,634.82 | | | (383.54) | | 76,281.41 | 83,652.16 | 400.88 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 10/30/03 | 10/20/33 | 179,347.80 | 195,316.07 | | | (1,031.88) | | 178,315.92 | 195,211.16 | 926.97 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 10/30/03 | 10/20/33 | 1,235,165.45 | 1,311,409.28 | | | (7,366.23) | | 1,227,799.22 | 1,331,303.22 | 27,260.17 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 11/13/03 | 10/20/33 | 83,107.91 | 90,508.37 | | | (409.13) | | 82,698.78 | 90,535.33 | 436.09 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 11/13/03 | 10/20/33 | 805,084.17 | 856,808.77 | | | (4,458.95) | | 800,625.22 | 870,151.86 | 17,802.04 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 11/20/03 | 11/20/33 | 1,173,262.79 | 1,245,711.88 | | | (7,293.07) | | 1,165,969.72 | 1,264,288.24 | 25,869.43 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 11/26/03 | 10/20/33 | 47,207.50 | 51,501.05 | | | (480.29) | | 46,727.21 | 51,244.07 | 223.31 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 11/26/03 | 11/20/33 | 278,099.76 | 295,971.45 | | | (1,587.88) | | 276,511.88 | 300,528.85 | 6,145.28 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/04/03 | 12/20/33 | 450,523.39 | 478,350.52 | | | (3,112.02) | | 447,411.37 | 485,146.46 | 9,907.96 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/04/03 | 11/20/33 | 38,828.58 | 42,360.61 | | | (190.87) | | 38,637.71 | 42,373.14 | 203.40 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/11/03 | 12/20/33 | 255,346.13 | 271,119.19 | | | (1,960.23) | | 253,385.90 | 274,757.76 | 5,598.80 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/11/03 | 09/20/33 | 80,586.73 | 87,916.59 | | | (419.47) | | 80,167.26 | 87,916.93 | 419.81 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/18/03 | 12/20/33 | 43,502.16 | 47,459.97 | | | (271.59) | | 43,230.57 | 47,410.67 | 222.29 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/18/03 | 12/20/33 | 102,731.76 | 109,336.01 | | | (549.99) | | 102,181.77 | 111,059.33 | 2,273.31 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/23/03 | 12/20/33 | 47,545.35 | 51,871.23 | | | (232.94) | | 47,312.41 | 51,887.44 | 249.15 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/23/03 | 12/20/33 | 43,222.95 | 45,893.35 | | | (228.35) | | 42,994.60 | 46,621.46 | 956.46 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/15/04 | 01/20/34 | 150,395.44 | 163,926.66 | | | (1,694.23) | | 148,701.21 | 162,878.73 | 646.30 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/22/04 | 01/20/34 | 299,476.46 | 325,854.63 | | | (1,969.05) | | 297,507.41 | 325,313.57 | 1,427.99 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 RMRB | 4.80 | 01/22/04 | 01/20/34 | 296,330.20 | 315,096.99 | | | (1,624.31) | | 294,705.89 | 320,022.95 | 6,550.27 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/29/04 | 01/20/34 | 46,018.21 | 50,158.98 | | | (513.46) | | 45,504.75 | 49,843.75 | 198.23 | 0.00 |
| GNMA | 2002 RMRB | | | | 64,623.01 | 68,779.03 | | | (64,623.01) | | | | (4,156.02) | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 02/12/04 | 01/20/34 | 157,534.52 | 167,118.57 | | | (958.37) | | 156,576.15 | 169,635.03 | 3,474.83 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 02/12/04 | 02/20/34 | 270,893.47 | 295,273.46 | | | (38,203.68) | | 232,689.79 | 254,881.40 | (2,188.38) | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 02/26/04 | 02/20/34 | 207,701.44 | 220,341.02 | | | (1,140.60) | | 206,560.84 | 223,792.11 | 4,591.69 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 02/26/04 | 02/20/34 | 81,297.36 | 88,460.85 | | | (400.17) | | 80,897.19 | 88,460.80 | 400.12 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 03/11/04 | 03/20/34 | 87,608.83 | 92,941.62 | | | (454.92) | | 87,153.91 | 94,425.70 | 1,939.00 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/11/04 | 03/20/34 | 393,757.18 | 429,205.50 | | | (2,038.85) | | 391,718.33 | 429,087.30 | 1,920.65 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/25/04 | 03/20/34 | 179,864.24 | 195,717.86 | | | (859.63) | | 179,004.61 | 195,745.85 | 887.62 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/09/04 | 07/20/34 | 60,408.60 | 65,854.07 | | | (311.75) | | 60,096.85 | 65,837.07 | 294.75 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 07/08/04 | 06/20/34 | 75,588.54 | 80,197.81 | | | (395.31) | | 75,193.23 | 81,475.34 | 1,672.84 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/01/04 | 04/20/34 | 177,300.98 | 243,509.70 | | | (426.99) | | 176,873.99 | 243,447.81 | 365.10 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/22/04 | 04/20/34 | 201,154.90 | 213,911.60 | | | (1,060.85) | | 200,094.05 | 217,300.85 | 4,450.10 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/22/04 | 04/20/34 | 147,257.17 | 160,519.80 | | | (704.67) | | 146,552.50 | 160,538.92 | 723.79 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 04/29/04 | 04/20/34 | 172,972.67 | 183,508.99 | | | (1,046.61) | | 171,926.06 | 186,278.39 | 3,816.01 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/29/04 | 04/20/34 | 82,415.87 | 89,839.05 | | | (405.14) | | 82,010.73 | 89,837.98 | 404.07 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 05/06/04 | 04/20/34 | 135,534.87 | 144,131.59 | | | (722.11) | | 134,812.76 | 146,407.27 | 2,997.79 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/06/04 | 04/20/34 | 54,373.31 | 59,271.03 | | | (282.45) | | 54,090.86 | 59,253.71 | 265.13 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 05/13/04 | 04/20/34 | 85,160.39 | 90,562.39 | | | (439.95) | | 84,720.44 | 92,007.22 | 1,884.78 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/27/04 | 05/20/34 | 145,583.98 | 158,700.90 | | | (890.56) | | 144,693.42 | 158,507.40 | 697.06 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/03/04 | 05/20/34 | 51,436.79 | 56,071.45 | | | (238.01) | | 51,198.78 | 56,087.02 | 253.58 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 06/24/04 | 06/20/34 | 28,064.30 | 30,593.64 | | | (136.91) | | 27,927.39 | 30,594.41 | 137.68 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/02/04 | 08/20/34 | 125,604.53 | 136,695.18 | | | (673.25) | | 124,931.28 | 136,634.94 | 613.01 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/01/04 | 09/20/34 | 114,803.19 | 125,158.10 | | | (522.44) | | 114,280.75 | 125,202.63 | 566.97 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/16/04 | 09/20/34 | 132,651.82 | 144,618.28 | | | (600.54) | | 132,051.28 | 144,673.02 | 655.28 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 09/29/04 | 09/20/34 | 107,458.19 | 114,289.29 | | | (540.11) | | 106,918.08 | 116,129.01 | 2,379.83 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/29/04 | 09/20/34 | 74,400.82 | 81,113.32 | | | (335.50) | | 74,065.32 | 81,145.49 | 367.67 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 10/07/04 | 09/20/34 | 95,735.05 | 104,372.83 | | | (443.46) | | 95,291.59 | 104,401.33 | 471.96 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 10/07/04 | 09/20/34 | 105,700.42 | 112,420.34 | | | (542.94) | | 105,157.48 | 114,217.31 | 2,339.91 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/15/04 | 04/20/34 | 92,177.05 | 100,485.01 | | | (434.43) | | 91,742.62 | 100,504.27 | 453.69 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/22/04 | 07/20/34 | 89,646.06 | 97,727.94 | | | (411.81) | | 89,234.25 | 97,758.41 | 442.28 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/05/04 | 08/20/34 | 55,472.39 | 60,474.36 | | | (260.69) | | 55,211.70 | 60,486.79 | 273.12 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/19/04 | 08/20/34 | 168,717.97 | 183,933.30 | | | (1,039.51) | | 167,678.46 | 183,700.89 | 807.10 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/02/04 | 11/20/34 | 171,629.25 | 187,124.26 | | | (808.83) | | 170,820.42 | 187,160.20 | 844.77 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/02/04 | 11/20/34 | 199,008.54 | 211,671.37 | | | (1,007.00) | | 198,001.54 | 215,071.31 | 4,406.94 | 0.00 |
| GNMA | 2002 RMRB | | | | 24,878.82 | 26,460.66 | | | (24,878.82) | | | | (1,581.84) | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 10/28/04 | 09/20/34 | 14,880.53 | 15,789.48 | | | (433.86) | | 14,446.67 | 15,655.18 | 299.56 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 10/28/04 | 10/20/34 | 114,842.80 | 125,207.26 | | | (526.92) | | 114,315.88 | 125,246.98 | 566.64 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/29/04 | 12/20/34 | 95,291.76 | 103,897.50 | | | (426.59) | | 94,865.17 | 103,942.10 | 471.19 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/29/04 | 12/20/34 | 115,891.26 | 123,268.48 | | | (568.23) | | 115,323.03 | 125,268.21 | 2,567.96 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/06/05 | 01/20/35 | 86,751.91 | 94,478.05 | | | (381.38) | | 86,370.53 | 94,551.26 | 454.59 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/27/05 | 01/20/35 | 259,269.44 | 281,873.26 | | | (1,141.62) | | 258,127.82 | 282,092.02 | 1,360.38 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/10/05 | 12/20/34 | 92,040.25 | 100,357.61 | | | (407.71) | | 91,632.54 | 100,405.31 | 455.41 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 05/05/05 | 03/20/35 | 51,059.94 | 55,612.83 | | | (232.17) | | 50,827.77 | 55,647.43 | 266.77 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 07/07/05 | 06/20/35 | 63,360.63 | 69,014.58 | | | (279.52) | | 63,081.11 | 69,066.94 | 331.88 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 07/07/05 | 06/20/35 | 66,964.70 | 69,955.52 | | | (327.66) | | 66,637.04 | 71,129.66 | 1,501.80 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 06/02/05 | 04/20/35 | 207,691.49 | 216,464.86 | | | (1,156.29) | | 206,535.20 | 219,953.77 | 4,645.20 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/08/05 | 08/20/35 | 109,814.89 | 119,412.56 | | | (522.43) | | 109,292.46 | 119,462.71 | 572.58 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/15/05 | 09/20/35 | 205,228.47 | 223,167.36 | | | (909.61) | | 204,318.86 | 223,334.05 | 1,076.30 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 08/04/05 | 08/20/35 | 212,676.68 | 231,661.38 | | | (904.60) | | 211,772.08 | 231,874.16 | 1,117.38 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 09/01/05 | 09/20/35 | 125,611.99 | 136,590.30 | | | (878.67) | | 124,733.32 | 136,340.43 | 628.80 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 10/13/05 | 09/20/35 | 103,184.22 | 107,527.87 | | | (503.90) | | 102,680.32 | 109,318.42 | 2,294.45 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 10/13/05 | 10/20/35 | 117,292.22 | 127,770.26 | | | (495.97) | | 116,796.25 | 127,890.67 | 616.38 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/19/05 | 12/20/35 | 154,025.65 | 167,795.17 | | | (878.99) | | 153,146.66 | 167,703.98 | 787.80 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 11/17/05 | 11/20/35 | 208,384.76 | 227,007.44 | | | (872.32) | | 207,512.44 | 227,231.07 | 1,095.95 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 11/22/05 | 10/20/35 | 190,191.73 | 198,661.27 | | | (1,003.76) | | 189,187.97 | 201,917.55 | 4,260.04 | 0.00 |
| GNMA | 2002 RMRB | 4.80 | 12/22/05 | 12/20/35 | 120,595.34 | 125,961.66 | | | (573.95) | | 120,021.39 | 128,093.04 | 2,705.33 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 12/29/05 | 11/20/35 | 152,029.31 | 165,621.02 | | | (631.30) | | 151,398.01 | 165,789.79 | 800.07 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 01/12/06 | 01/20/36 | 277,126.06 | 301,370.54 | | | (1,127.60) | | 275,998.46 | 301,736.36 | 1,493.42 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2002 RMRB | 5.49 | 03/09/06 | 03/20/36 | 134,672.30 | 146,461.75 | | | (869.22) | | 133,803.08 | 146,288.31 | 695.78 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/02/06 | 03/20/36 | 148,275.15 | 161,254.40 | | | (601.41) | | 147,673.74 | 161,452.39 | 799.40 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 02/23/06 | 02/20/36 | 254,953.94 | 277,268.76 | | | (10,543.45) | | 244,410.49 | 267,212.40 | 487.09 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/16/06 | 03/20/36 | 148,392.92 | 161,384.28 | | | (761.46) | | 147,631.46 | 161,407.79 | 784.97 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 03/30/06 | 03/20/36 | 237,152.12 | 257,467.27 | | | (1,008.10) | | 236,144.02 | 257,737.49 | 1,278.32 | 0.00 |
| GNMA | 2002 RMRB | 5.49 | 04/06/06 | 04/20/36 | 228,355.86 | 248,352.70 | | | (1,069.60) | | 227,286.26 | 248,500.60 | 1,217.50 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 05/29/03 | 04/01/33 | 220,442.96 | 237,134.98 | | | (1,143.67) | | 219,299.29 | 237,818.84 | 1,827.53 | 0.00 |
| FNMA | 2002 RMRB | 4.80 | 09/18/03 | 07/01/33 | 65,918.69 | 69,184.59 | | | (371.32) | | 65,547.37 | 70,265.68 | 1,452.41 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 12/04/03 | 11/01/33 | 48,680.81 | 52,371.35 | | | (240.01) | | 48,440.80 | 52,536.01 | 404.67 | 0.00 |
| FNMA | 2002 RMRB | 4.80 | 01/15/04 | 11/01/33 | 240,402.56 | 252,326.34 | | | (3,075.94) | | 237,326.62 | 254,423.67 | 5,173.27 | 0.00 |
| FNMA | 2002 RMRB | 4.80 | 02/26/04 | 01/01/34 | 81,908.74 | 85,849.75 | | | (771.50) | | 81,137.24 | 86,841.60 | 1,763.35 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 04/08/04 | 06/01/33 | 58,227.57 | 62,643.81 | | | (323.46) | | 57,904.11 | 62,801.22 | 480.87 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 09/02/04 | 08/01/34 | 212,316.93 | 229,169.40 | | | (999.79) | | 211,317.14 | 229,670.64 | 1,501.03 | 0.00 |
| FNMA | 2002 RMRB | 4.80 | 11/10/04 | 10/01/34 | 52,877.23 | 55,427.76 | | | (309.06) | | 52,568.17 | 56,270.43 | 1,151.73 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 07/14/05 | 05/01/35 | 33,408.62 | 35,855.91 | | | (150.46) | | 33,258.16 | 35,922.71 | 217.26 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 11/03/05 | 10/01/35 | 118,152.99 | 126,814.68 | | | (639.67) | | 117,513.32 | 126,934.78 | 759.77 | 0.00 |
| FNMA | 2002 RMRB | 4.80 | 12/15/05 | 10/01/35 | 61,404.80 | 63,168.26 | | | (486.56) | | 60,918.24 | 63,962.84 | 1,281.14 | 0.00 |
| FNMA | 2002 RMRB | 5.49 | 04/27/06 | 03/01/36 | 132,757.41 | 142,332.51 | | | (538.20) | | 132,219.21 | 142,337.77 | 543.46 | 0.00 |
| Repo Agmt | 2002 RMRB | 0.20 | 08/31/10 | 09/01/10 | 6,104.83 | 6,104.83 | 27,244.56 | | | | 33,349.39 | 33,349.39 | - | 0.00 |
| | **2002 RMRB Total** | | | | 23,176,609.28 | 24,861,775.55 | 33,032.10 | (749,125.94) | (327,532.64) | 0.00 | 22,132,982.80 | 24,091,315.92 | 273,166.85 | 0.00 |
| Repo Agmt | 2009 AB RMRB | 0.20 | 08/31/10 | 09/01/10 | 2,108,209.04 | 2,108,209.04 | | (897,850.85) | | | 1,210,358.19 | 1,210,358.19 | - | 0.00 |
| Repo Agmt | 2009 AB RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,862,543.30 | 1,862,543.30 | | (730,656.10) | | | 1,131,887.20 | 1,131,887.20 | - | 0.00 |
| Repo Agmt | 2009 AB RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,370,207.96 | 1,370,207.96 | | (1,370,163.79) | | | 44.17 | 44.17 | - | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 08/01/90 | 06/20/20 | 146,522.02 | 166,067.44 | | | (3,733.64) | | 142,788.38 | 162,479.67 | 145.87 | 0.00 |
| GNMA | 2009 AB RMRB | 7.18 | 08/01/90 | 06/20/20 | 56,128.05 | 62,429.05 | | | (1,608.24) | | 54,519.81 | 60,862.70 | 41.89 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 09/04/90 | 07/20/20 | 112,897.16 | 127,959.12 | | | (2,786.48) | | 110,110.68 | 125,297.45 | 124.81 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 11/01/90 | 09/20/20 | 140,440.26 | 159,181.24 | | | (3,142.86) | | 137,297.40 | 156,238.05 | 199.67 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 09/04/90 | 08/20/20 | 101,825.49 | 115,411.44 | | | (2,801.45) | | 99,024.04 | 112,682.78 | 72.79 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 09/04/90 | 07/20/20 | 87,339.71 | 98,991.98 | | | (2,106.20) | | 85,233.51 | 96,989.17 | 103.39 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 11/01/90 | 08/20/20 | 66,861.25 | 75,782.75 | | | (1,034.83) | | 65,826.42 | 74,906.72 | 158.80 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 11/01/90 | 09/20/20 | 56,516.14 | 64,057.93 | | | (1,050.01) | | 55,466.13 | 63,117.90 | 109.98 | 0.00 |
| GNMA | 2009 AB RMRB | 7.18 | 11/01/90 | 09/20/20 | 71,990.57 | 80,075.67 | | | (1,268.26) | | 70,722.31 | 78,953.45 | 146.04 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 12/03/90 | 10/20/20 | 6,990.86 | 7,923.92 | | | (534.42) | | 6,456.44 | 6,521.08 | (868.42) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 12/28/89 | 09/20/18 | 736,696.46 | 833,509.97 | | | (44,389.24) | | 692,307.22 | 784,604.81 | (4,515.92) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 11/30/89 | 10/20/18 | 77,366.31 | 87,534.03 | | | (1,721.74) | | 75,644.57 | 85,729.96 | (82.33) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 11/30/89 | 09/20/18 | 49,563.85 | 56,077.16 | | | (1,371.56) | | 48,192.29 | 54,617.05 | (88.55) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 01/01/90 | 11/20/18 | 171,713.95 | 194,284.02 | | | (4,751.38) | | 166,962.57 | 189,225.85 | (306.79) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 01/01/90 | 12/20/18 | 15,874.10 | 17,960.73 | | | (684.77) | | 15,189.33 | 15,310.25 | (1,965.71) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 02/27/90 | 01/20/19 | 84,533.14 | 95,909.29 | | | (2,849.93) | | 81,683.21 | 92,937.69 | (121.67) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 05/29/90 | 04/20/19 | 108,616.70 | 123,239.24 | | | (2,420.31) | | 106,196.39 | 120,833.47 | 14.54 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 06/28/90 | 05/20/19 | 40,487.14 | 45,938.41 | | | (792.59) | | 39,694.55 | 45,166.36 | 20.54 | 0.00 |
| GNMA | 2009 AB RMRB | 7.18 | 02/01/91 | 11/20/20 | 85,171.40 | 94,739.94 | | | (2,687.39) | | 82,484.01 | 92,087.20 | 34.65 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 02/25/91 | 11/20/20 | 57,298.12 | 64,946.60 | | | (986.04) | | 56,312.08 | 64,082.90 | 122.34 | 0.00 |
| GNMA | 2009 AB RMRB | 7.18 | 05/02/91 | 02/20/21 | 57,402.40 | 64,038.56 | | | (932.95) | | 56,469.45 | 63,296.62 | 191.01 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 09/28/90 | 08/20/19 | 45,951.76 | 52,141.07 | | | (1,745.53) | | 44,206.23 | 50,302.11 | (93.43) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 10/23/90 | 09/20/19 | 33,655.95 | 38,189.65 | | | (612.61) | | 33,043.34 | 37,600.42 | 23.38 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 11/28/90 | 09/20/19 | 81,466.67 | 92,441.22 | | | (1,316.53) | | 80,150.14 | 91,204.23 | 79.54 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 12/21/90 | 09/20/19 | 43,195.24 | 49,014.42 | | | (779.46) | | 42,415.78 | 48,265.92 | 30.96 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 01/25/91 | 12/20/19 | 70,459.09 | 79,953.96 | | | (1,052.67) | | 69,406.42 | 78,981.97 | 80.68 | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 03/28/91 | 02/20/20 | 32,988.40 | 37,560.12 | | | (1,588.39) | | 31,400.01 | 35,889.70 | (82.03) | 0.00 |
| GNMA | 2009 AB RMRB | 8.75 | 03/28/91 | 12/20/19 | 47,545.16 | 53,952.67 | | | (810.93) | | 46,734.23 | 53,182.26 | 40.52 | 0.00 |
| GNMA | 2009 AB RMRB | 8.18 | 05/02/91 | 03/20/21 | 129,410.93 | 148,105.50 | | | (2,650.40) | | 126,760.53 | 145,782.17 | 327.07 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 07/28/00 | 07/20/30 | 1,161,485.20 | 1,283,069.49 | | | (57,888.23) | | 1,103,596.97 | 1,222,255.70 | (2,925.56) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 04/28/00 | 04/01/30 | 114,260.78 | 125,946.22 | | | (802.12) | | 113,458.66 | 125,271.97 | 127.87 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 04/20/00 | 04/20/30 | 612,314.27 | 676,411.30 | | | (77,972.23) | | 534,342.04 | 591,794.49 | (6,644.58) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 04/27/00 | 04/20/30 | 667,152.09 | 736,989.53 | | | (6,130.10) | | 661,021.99 | 732,095.01 | 1,235.58 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 06/26/00 | 06/20/30 | 1,002,415.67 | 1,107,348.49 | | | (9,618.11) | | 992,797.56 | 1,099,543.14 | 1,812.76 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 05/30/00 | 03/20/30 | 1,430,719.54 | 1,580,487.25 | | | (10,758.44) | | 1,419,961.10 | 1,572,635.33 | 2,906.52 | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 05/30/00 | 05/01/30 | 192,352.97 | 212,024.89 | | | (2,539.83) | | 189,813.14 | 209,576.47 | 91.41 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2009 AB RMRB | 6.10 | 06/26/00 | 06/01/30 | 85,487.94 | 94,230.79 | | | (1,034.90) | | 84,453.04 | 93,246.28 | 50.39 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 09/14/00 | 08/20/30 | 1,777,926.45 | 1,964,039.80 | | | (104,120.64) | | 1,673,805.81 | 1,853,773.38 | (6,145.78) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/19/00 | 09/20/30 | 687,682.42 | 759,669.02 | | | (8,213.60) | | 679,468.82 | 752,525.32 | 1,069.90 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/23/00 | 10/20/30 | 239,705.25 | 264,797.59 | | | (1,581.27) | | 238,123.98 | 263,727.06 | 510.74 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/27/00 | 10/20/30 | 175,794.70 | 194,196.87 | | | (1,196.58) | | 174,598.12 | 193,370.88 | 370.59 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/30/00 | 10/20/30 | 133,803.40 | 147,809.91 | | | (794.95) | | 133,008.45 | 147,309.48 | 294.52 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 01/16/01 | 12/20/30 | 95,133.51 | 105,092.08 | | | (1,169.22) | | 93,964.29 | 104,067.32 | 144.46 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 01/29/01 | 12/20/30 | 51,503.45 | 56,894.82 | | | (464.52) | | 51,038.93 | 56,526.63 | 96.33 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 12/21/00 | 11/20/30 | 427,907.76 | 472,701.11 | | | (3,418.26) | | 424,489.50 | 470,130.58 | 847.73 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 12/27/00 | 12/20/30 | 223,807.32 | 247,235.46 | | | (2,250.32) | | 221,557.00 | 245,378.80 | 393.66 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 02/20/01 | 01/20/31 | 58,112.66 | 64,220.27 | | | (353.35) | | 57,759.31 | 63,851.73 | (15.19) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 03/15/01 | 03/20/31 | 129,394.85 | 142,994.22 | | | (792.16) | | 128,602.69 | 142,167.68 | (34.38) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 03/29/01 | 03/20/31 | 99,069.39 | 109,481.58 | | | (573.45) | | 98,495.94 | 108,885.29 | (22.84) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 05/10/01 | 04/20/31 | 373,915.74 | 413,214.29 | | | (2,525.21) | | 371,390.53 | 410,564.80 | (124.28) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 09/11/00 | 08/01/30 | 535,772.45 | 590,565.90 | | | (32,286.95) | | 503,485.50 | 555,908.42 | (2,370.53) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 10/06/00 | 10/01/30 | 92,805.30 | 102,296.48 | | | (723.56) | | 92,081.74 | 101,669.27 | 96.35 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 05/30/01 | 05/20/31 | 214,946.21 | 237,537.05 | | | (1,398.00) | | 213,548.21 | 236,073.26 | (65.79) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 06/18/01 | 04/20/31 | 103,503.07 | 114,381.23 | | | (831.57) | | 102,671.50 | 113,501.28 | (48.38) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 07/25/01 | 06/20/31 | 245,591.37 | 271,403.03 | | | (2,298.74) | | 243,292.63 | 268,955.14 | (149.15) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 08/31/01 | 08/20/31 | 419,502.25 | 463,591.93 | | | (2,430.65) | | 417,071.60 | 461,064.31 | (96.97) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 12/27/00 | 11/01/30 | 129,738.60 | 143,006.94 | | | (1,457.48) | | 128,281.12 | 141,637.73 | 88.27 | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 01/12/01 | 12/01/30 | 35,310.85 | 38,922.08 | | | (1,084.50) | | 34,226.35 | 37,789.99 | (47.59) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 02/05/01 | 01/01/31 | 228,976.90 | 252,394.36 | | | (1,966.21) | | 227,010.69 | 250,647.03 | 218.88 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 12/27/01 | 10/20/31 | 48,749.43 | 53,872.99 | | | (547.11) | | 48,202.32 | 53,286.69 | (39.19) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 09/20/01 | 08/20/31 | 223,660.34 | 247,167.00 | | | (62,830.08) | | 160,830.26 | 177,794.59 | (6,542.33) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/17/01 | 09/20/31 | 101,598.40 | 112,276.39 | | | (594.35) | | 101,004.05 | 111,657.95 | (24.09) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 10/30/01 | 05/20/31 | 38,782.80 | 42,858.87 | | | (286.31) | | 38,496.49 | 42,557.09 | (15.47) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 03/15/01 | 02/01/31 | 216,692.30 | 238,853.41 | | | (2,280.12) | | 214,412.18 | 236,736.77 | 163.48 | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 02/25/02 | 02/20/32 | 710,603.16 | 784,633.81 | | | (4,580.26) | | 706,022.90 | 777,648.92 | (2,404.63) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 05/24/02 | 05/20/32 | 64,879.79 | 71,638.96 | | | (487.74) | | 64,392.05 | 70,924.62 | (226.60) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 03/21/02 | 03/20/32 | 165,602.42 | 182,854.91 | | | (965.20) | | 164,637.22 | 181,339.69 | (550.02) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 04/17/02 | 03/20/32 | 453,248.66 | 500,468.04 | | | (2,734.94) | | 450,513.72 | 496,218.27 | (1,514.83) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 04/29/02 | 04/20/32 | 381,010.14 | 420,703.75 | | | (2,169.38) | | 378,840.76 | 417,274.13 | (1,260.24) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 06/03/02 | 05/20/32 | 220,126.55 | 243,059.33 | | | (1,128.55) | | 218,998.00 | 241,215.34 | (715.44) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 06/19/02 | 04/20/32 | 199,071.15 | 219,810.38 | | | (1,018.62) | | 198,052.53 | 218,144.95 | (646.81) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 06/28/02 | 06/20/32 | 57,228.00 | 63,190.01 | | | (292.23) | | 56,935.77 | 62,711.90 | (185.88) | 0.00 |
| GNMA | 2009 AB RMRB | 6.10 | 01/30/03 | 01/20/33 | 101,550.29 | 111,857.64 | | | (488.95) | | 101,061.34 | 110,944.12 | (424.57) | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 10/17/01 | 09/01/31 | 73,544.78 | 80,882.34 | | | (513.03) | | 73,031.75 | 80,599.29 | 229.98 | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 01/28/02 | 11/01/31 | 191,815.87 | 210,953.33 | | | (1,092.40) | | 190,723.47 | 210,486.23 | 625.30 | 0.00 |
| FNMA | 2009 AB RMRB | 6.10 | 04/17/02 | 02/01/32 | 33,130.74 | 36,436.19 | | | (172.79) | | 32,957.95 | 36,364.81 | 101.41 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 10/29/09 | 09/20/39 | 215,220.00 | 234,873.44 | | | (705.68) | | 214,514.32 | 235,254.74 | 1,086.98 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 11/24/09 | 11/20/39 | 1,367,110.10 | 1,491,990.97 | | | (4,462.12) | | 1,362,647.98 | 1,494,435.60 | 6,906.75 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 11/24/09 | 09/20/39 | 134,573.78 | 146,866.50 | | | (392.33) | | 134,181.45 | 147,158.58 | 684.41 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 05/25/10 | 04/20/40 | 637,777.38 | 696,174.30 | | | (1,795.78) | | 635,981.60 | 697,673.47 | 3,294.95 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 05/25/10 | 04/20/40 | 392,760.29 | 428,722.67 | | | (1,097.40) | | 391,662.89 | 429,655.21 | 2,029.94 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 12/17/09 | 11/20/39 | 1,820,932.32 | 1,987,312.47 | | | (6,620.25) | | 1,814,312.07 | 1,989,826.31 | 9,134.09 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 12/17/09 | 10/20/39 | 134,436.46 | 146,720.03 | | | (389.44) | | 134,047.02 | 147,014.56 | 683.97 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 12/29/09 | 12/20/39 | 2,468,441.11 | 2,694,017.37 | | | (7,657.77) | | 2,460,783.34 | 2,698,871.83 | 12,512.23 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 12/29/09 | 12/20/39 | 708,324.67 | 773,054.28 | | | (2,379.41) | | 705,945.26 | 774,247.68 | 3,572.81 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 12/29/09 | 11/20/39 | 268,201.49 | 292,710.84 | | | (927.34) | | 267,274.15 | 293,133.46 | 1,349.96 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 01/20/10 | 12/20/39 | 1,589,638.77 | 1,734,945.04 | | | (4,848.88) | | 1,584,789.89 | 1,738,160.15 | 8,063.99 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 01/27/10 | 12/20/39 | 206,414.66 | 225,284.05 | | | (591.64) | | 205,823.02 | 225,743.21 | 1,050.80 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 01/20/10 | 12/20/39 | 239,629.87 | 261,534.05 | | | (687.36) | | 238,942.51 | 262,066.51 | 1,219.82 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 01/27/10 | 01/20/40 | 3,056,304.43 | 3,335,761.58 | | | (9,541.17) | | 3,046,763.26 | 3,341,918.81 | 15,698.40 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 01/27/10 | 12/20/39 | 319,507.89 | 348,715.70 | | | (921.38) | | 318,586.51 | 349,420.29 | 1,625.97 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 02/17/10 | 01/20/40 | 2,037,916.07 | 2,224,300.54 | | | (5,778.86) | | 2,032,137.21 | 2,229,045.78 | 10,524.10 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 02/17/10 | 12/20/39 | 1,329,717.35 | 1,451,304.26 | | | (3,852.88) | | 1,325,864.47 | 1,454,216.56 | 6,765.18 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 02/17/10 | 12/20/39 | 180,948.61 | 197,494.20 | | | (517.69) | | 180,430.92 | 197,897.77 | 921.26 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 02/23/10 | 02/20/40 | 2,057,397.15 | 2,245,576.93 | | | (5,981.38) | | 2,051,415.77 | 2,250,206.04 | 10,610.49 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 02/23/10 | 01/20/40 | 480,726.98 | 524,696.67 | | | (1,406.76) | | 479,320.22 | 525,768.24 | 2,478.33 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2009 AB RMRB | 5.75 | 03/16/10 | 02/20/40 | 1,957,542.38 | 2,136,634.29 | | | (5,924.10) | | 1,951,618.28 | 2,140,783.22 | 10,073.03 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 03/16/10 | 02/20/40 | 201,127.80 | 219,528.61 | | | (662.74) | | 200,465.06 | 219,895.58 | 1,029.71 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 03/16/10 | 12/20/39 | 124,286.53 | 135,654.63 | | | (355.47) | | 123,931.06 | 135,931.94 | 632.78 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 03/30/10 | 01/20/40 | 962,146.86 | 1,050,185.70 | | | (2,752.40) | | 959,394.46 | 1,052,399.74 | 4,966.44 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 03/30/10 | 02/20/40 | 415,451.64 | 453,466.50 | | | (1,179.48) | | 414,272.16 | 454,432.37 | 2,145.35 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 03/30/10 | 12/20/39 | 106,625.04 | 116,379.35 | | | (305.65) | | 106,319.39 | 116,616.39 | 542.69 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 04/22/10 | 03/20/40 | 763,417.79 | 833,291.79 | | | (2,258.89) | | 761,158.90 | 834,966.30 | 3,933.40 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 04/22/10 | 04/20/40 | 335,077.46 | 365,746.38 | | | (968.76) | | 334,108.70 | 366,506.26 | 1,728.64 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/15/10 | 04/20/40 | | | 390,905.72 | | | | 390,905.72 | 428,833.26 | 37,927.54 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/15/10 | 03/20/40 | | | 258,297.37 | | | | 258,297.37 | 283,358.61 | 25,061.24 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 07/20/10 | 07/20/40 | | | 1,197,810.37 | | | | 1,197,810.37 | 1,314,074.15 | 116,263.78 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 07/28/10 | 07/20/40 | | | 865,237.16 | | | | 865,237.16 | 949,227.86 | 83,990.70 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 07/28/10 | 06/20/40 | | | 301,992.25 | | | | 301,992.25 | 331,307.39 | 29,315.14 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 07/28/10 | 07/20/40 | | | 2,573,728.52 | | | | 2,573,728.52 | 2,823,566.71 | 249,838.19 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 08/17/10 | 08/20/40 | | | 4,421,777.50 | | | | 4,421,777.50 | 4,851,103.54 | 429,326.04 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 08/17/10 | 06/20/40 | | | 366,963.34 | | | | 366,963.34 | 402,593.11 | 35,629.77 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 08/17/10 | 05/20/40 | | | 58,104.05 | | | | 58,104.05 | 63,745.58 | 5,641.53 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 08/17/10 | 05/20/40 | | | 72,867.69 | | | | 72,867.69 | 79,942.67 | 7,074.98 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 08/24/10 | 08/20/40 | | | 3,470,133.80 | | | | 3,470,133.80 | 3,807,088.32 | 336,954.52 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/22/10 | 04/20/40 | | | 131,233.05 | | | | 131,233.05 | 143,966.93 | 12,733.88 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/22/10 | 06/20/40 | | | 1,747,293.69 | | | | 1,747,293.69 | 1,916,839.99 | 169,546.30 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/22/10 | 05/20/40 | | | 706,590.50 | | | | 706,590.50 | 775,152.77 | 68,562.27 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/22/10 | 05/20/40 | | | 229,889.39 | | | | 229,889.39 | 252,196.14 | 22,306.75 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 04/20/40 | | | 81,418.18 | | | | 81,418.18 | 89,319.03 | 7,900.85 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 1,740,196.63 | | | | 1,740,196.63 | 1,909,065.86 | 168,869.23 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 685,078.51 | | | | 685,078.51 | 751,558.73 | 66,480.22 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 184,173.72 | | | | 184,173.72 | 202,045.99 | 17,872.27 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 05/20/40 | | | 168,619.79 | | | | 168,619.79 | 184,982.70 | 16,362.91 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 06/29/10 | 06/20/40 | | | 622,041.78 | | | | 622,041.78 | 682,404.92 | 60,363.14 | 0.00 |
| GNMA | 2009 AB RMRB | 5.75 | 07/20/10 | 06/20/40 | | | 1,468,180.97 | | | | 1,468,180.97 | 1,610,687.89 | 142,506.92 | 0.00 |
| FNMA | 2009 AB RMRB | 5.75 | 08/17/10 | 05/01/40 | | | 65,624.91 | | | | 65,624.91 | 71,028.60 | 5,403.69 | 0.00 |
| Repo Agmt | 2009 AB RMRB | 0.20 | 08/31/10 | 09/01/10 | 51,193,908.40 | 51,193,908.40 | | (21,833,287.96) | | | 29,360,620.44 | 29,360,620.44 | - | 0.00 |
| Repo Agmt | 2009 AB RMRB | 0.20 | 08/31/10 | 09/01/10 | 13,339.84 | 13,339.84 | 24,775.14 | | | | 38,114.98 | 38,114.98 | - | 0.00 |
| | **2009 AB RMRB Total** | | | | 98,904,158.88 | 103,083,040.11 | 21,832,934.03 | (24,831,958.70) | (590,031.03) | 0.00 | 95,315,103.18 | 101,707,361.37 | 2,213,376.96 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2009C RMRB | 0.00 | 08/01/10 | 09/01/10 | 131,950.09 | 131,950.09 | 140,482.55 | | | | 272,432.64 | 272,432.64 | - | 0.00 |
| Mutual Fund | 2009C RMRB | 0.01 | 08/01/10 | 09/01/10 | 300,000,000.00 | 300,000,000.00 | 0.00 | | | | 300,000,000.00 | 300,000,000.00 | - | 0.00 |
| Repo Agmt | 2009C RMRB | 0.20 | 08/31/10 | 09/01/10 | 42,316.08 | 42,316.08 | 19.46 | | | | 42,335.54 | 42,335.54 | - | 0.00 |
| | **2009C RMRB Total** | | | | 300,174,266.17 | 300,174,266.17 | 140,502.01 | 0.00 | 0.00 | 0.00 | 300,314,768.18 | 300,314,768.18 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 1999 B-D RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,915.99 | 1,915.99 | | (1,724.52) | | | 191.47 | 191.47 | - | 0.00 |
| Repo Agmt | 1999 B-D RMRB | 0.20 | 08/31/10 | 09/01/10 | 2,117,350.44 | 2,117,350.44 | | (134,370.45) | | | 1,982,979.99 | 1,982,979.99 | - | 0.00 |
| | **1999 B-D RMRB Total** | | | | 2,119,266.43 | 2,119,266.43 | 0.00 | (136,094.97) | 0.00 | 0.00 | 1,983,171.46 | 1,983,171.46 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2000 A RMRB | 0.20 | 08/31/10 | 09/01/10 | 38,597.36 | 38,597.36 | | (8,921.84) | | | 29,675.52 | 29,675.52 | - | 0.00 |
| Repo Agmt | 2000 A RMRB | 0.20 | 08/31/10 | 09/01/10 | 200,706.39 | 200,706.39 | | (200,693.84) | | | 12.55 | 12.55 | - | 0.00 |
| GIC's | 2000 A RMRB | | | | 13,317,014.43 | 13,317,014.43 | | (13,317,014.43) | | | | | - | 0.00 |
| Repo Agmt | 2000 A RMRB | 0.20 | 08/31/10 | 09/01/10 | 19,181.31 | 19,181.31 | 1,945,988.29 | | | | 1,965,169.60 | 1,965,169.60 | - | 0.00 |
| GIC's | 2000 A RMRB | | | | 558,546.10 | 558,546.10 | | (558,546.10) | | | | | - | 0.00 |
| Repo Agmt | 2000 A RMRB | 0.20 | 08/31/10 | 09/01/10 | 401.93 | 401.93 | 0.00 | | | | 401.93 | 401.93 | - | 0.00 |
| | **2000 A RMRB Total** | | | | 14,134,447.52 | 14,134,447.52 | 1,945,988.29 | (14,085,176.21) | 0.00 | 0.00 | 1,995,259.60 | 1,995,259.60 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Repo Agmt | 2003A RMRB | 0.20 | 08/31/10 | 09/01/10 | 1,296,377.19 | 1,296,377.19 | | (487,293.65) | | | 809,083.54 | 809,083.54 | - | 0.00 |
| Repo Agmt | 2003A RMRB | 0.20 | 08/31/10 | 09/01/10 | 386,590.38 | 386,590.38 | 177.66 | | | | 386,768.04 | 386,768.04 | - | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 03/25/04 | 03/20/34 | 7,745,433.87 | 8,053,062.41 | | | (340,749.14) | | 7,404,684.73 | 7,944,085.33 | 231,772.06 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 03/30/04 | 03/20/34 | 1,582,464.46 | 1,645,320.81 | | | (9,332.71) | | 1,573,131.75 | 1,687,732.96 | 51,744.86 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/08/04 | 07/20/34 | 767,997.43 | 798,577.54 | | | (5,261.64) | | 762,735.79 | 818,377.09 | 25,061.19 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/08/04 | 06/20/34 | 157,780.17 | 172,001.98 | | | (863.19) | | 156,916.98 | 171,903.98 | 765.19 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/08/04 | 07/20/34 | 166,511.38 | 173,681.93 | | | (54,983.23) | | 111,528.15 | 120,115.93 | 1,417.23 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 04/08/04 | 04/20/34 | 1,134,983.31 | 1,183,762.92 | | | (7,840.91) | | 1,127,142.40 | 1,213,835.68 | 37,913.67 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2003A RMRB | 4.49 | 04/15/04 | 04/20/34 | 919,083.92 | 958,589.39 | | | (5,136.47) | | 913,947.45 | 984,247.96 | 30,795.04 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/15/04 | 04/20/34 | 59,118.21 | 64,442.33 | | | (288.86) | | 58,829.35 | 64,443.54 | 290.07 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 04/22/04 | 04/20/34 | 894,462.44 | 932,914.30 | | | (5,156.82) | | 889,305.62 | 957,714.56 | 29,957.08 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 04/29/04 | 04/20/34 | 998,073.09 | 1,037,745.32 | | | (6,077.26) | | 991,995.83 | 1,064,290.76 | 32,622.70 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/29/04 | 04/20/34 | 56,562.20 | 61,656.74 | | | (267.67) | | 56,294.53 | 61,667.38 | 278.31 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/06/04 | 05/20/34 | 505,830.12 | 525,942.12 | | | (2,778.28) | | 503,051.84 | 539,719.39 | 16,555.55 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/13/04 | 05/20/34 | 401,450.54 | 417,414.47 | | | (2,804.55) | | 398,645.99 | 427,705.53 | 13,095.61 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 05/01/04 | 04/20/34 | 32,492.38 | 35,419.03 | | | (655.76) | | 31,836.62 | 34,875.24 | 111.97 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/20/04 | 05/20/34 | 831,667.68 | 864,743.84 | | | (5,014.88) | | 826,652.80 | 886,916.64 | 27,187.68 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/27/04 | 05/20/34 | 494,844.59 | 514,527.62 | | | (2,715.20) | | 492,129.39 | 528,008.80 | 16,196.38 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 06/03/04 | 06/20/34 | 839,603.50 | 873,008.41 | | | (4,548.52) | | 835,054.98 | 895,944.83 | 27,484.94 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 06/10/04 | 06/20/34 | 407,732.02 | 423,956.42 | | | (2,213.51) | | 405,518.51 | 435,089.99 | 13,347.08 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 06/17/04 | 06/20/34 | 989,492.45 | 1,028,871.32 | | | (5,362.57) | | 984,129.88 | 1,055,900.51 | 32,391.76 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 06/24/04 | 06/20/34 | 1,187,025.49 | 1,234,271.79 | | | (6,553.04) | | 1,180,472.45 | 1,266,568.31 | 38,849.56 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 06/24/04 | 06/20/34 | 649,093.89 | 707,594.04 | | | (51,140.27) | | 597,953.62 | 655,057.01 | (1,396.76) | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 09/02/04 | 08/20/34 | 125,243.82 | 130,236.82 | | | (679.94) | | 124,563.88 | 133,656.97 | 4,100.09 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/09/04 | 09/20/34 | 74,038.86 | 80,717.45 | | | (579.71) | | 73,459.15 | 80,480.12 | 342.38 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 09/09/04 | 09/20/34 | 145,344.48 | 151,140.34 | | | (778.98) | | 144,565.50 | 155,120.26 | 4,758.90 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/16/04 | 09/20/34 | 159,709.23 | 174,116.50 | | | (721.14) | | 158,988.09 | 174,184.48 | 789.12 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 09/16/04 | 09/20/34 | 854,779.43 | 888,869.70 | | | (5,406.69) | | 849,372.74 | 911,390.21 | 27,927.20 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/23/04 | 09/20/34 | 71,582.47 | 78,040.28 | | | (334.79) | | 71,247.68 | 78,058.06 | 352.57 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 09/23/04 | 09/20/34 | 183,603.81 | 191,523.16 | | | (1,033.82) | | 182,569.99 | 196,641.15 | 6,151.81 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 09/29/04 | 09/20/34 | 417,952.43 | 434,625.58 | | | (2,235.58) | | 415,716.85 | 446,075.18 | 13,685.18 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/29/04 | 09/20/34 | 190,627.79 | 207,465.06 | | | (1,646.98) | | 188,980.81 | 206,689.87 | 871.79 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/07/04 | 09/20/34 | 129,216.79 | 140,875.49 | | | (583.16) | | 128,633.63 | 140,930.82 | 638.49 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 10/07/04 | 10/20/34 | 306,759.58 | 319,000.18 | | | (1,798.92) | | 304,960.66 | 327,234.47 | 10,033.21 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/15/04 | 06/20/34 | 50,059.71 | 54,572.21 | | | (230.16) | | 49,829.55 | 54,589.00 | 246.95 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/15/04 | 07/20/34 | 206,022.77 | 214,227.27 | | | (1,093.44) | | 204,929.33 | 219,879.96 | 6,746.13 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/22/04 | 07/20/34 | 58,995.51 | 64,314.15 | | | (269.65) | | 58,725.86 | 64,335.69 | 291.19 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/22/04 | 07/20/34 | 425,637.13 | 442,589.62 | | | (99,003.70) | | 326,633.43 | 350,464.76 | 6,878.84 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/29/04 | 07/20/34 | 418,071.71 | 436,081.90 | | | (2,240.10) | | 415,831.61 | 447,857.85 | 14,016.05 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/29/04 | 07/20/34 | 198,353.70 | 216,237.04 | | | (931.69) | | 197,422.01 | 216,281.97 | 976.62 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 08/05/04 | 08/20/34 | 218,573.99 | 227,992.51 | | | (1,450.51) | | 217,123.48 | 233,848.34 | 7,306.34 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/05/04 | 07/20/34 | 102,808.74 | 112,078.43 | | | (501.82) | | 102,306.92 | 112,080.99 | 504.38 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 08/12/04 | 08/20/34 | 354,654.20 | 369,938.38 | | | (2,716.03) | | 351,938.17 | 379,049.62 | 11,827.27 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/12/04 | 07/20/34 | 80,748.05 | 88,029.08 | | | (401.69) | | 80,346.36 | 88,022.83 | 395.44 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 08/19/04 | 08/20/34 | 358,700.39 | 374,160.83 | | | (2,240.32) | | 356,460.07 | 383,921.79 | 12,001.28 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/19/04 | 08/20/34 | 197,445.08 | 215,251.06 | | | (1,348.77) | | 196,096.31 | 214,834.17 | 931.88 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 12/02/04 | 10/20/34 | 131,429.58 | 136,679.65 | | | (701.23) | | 130,728.35 | 140,282.19 | 4,303.77 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 12/09/04 | 11/20/34 | 131,625.95 | 136,885.24 | | | (715.48) | | 130,910.47 | 140,479.03 | 4,309.27 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 12/16/04 | 12/20/34 | 108,534.71 | 118,335.22 | | | (586.57) | | 107,948.14 | 118,275.70 | 527.05 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 12/16/04 | 12/20/34 | 274,842.66 | 285,827.25 | | | (2,448.75) | | 272,393.91 | 292,306.78 | 8,928.28 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 10/14/04 | 09/20/34 | 317,145.58 | 329,800.61 | | | (2,251.93) | | 314,893.65 | 337,892.61 | 10,343.93 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/14/04 | 09/20/34 | 38,419.25 | 41,885.87 | | | (193.06) | | 38,226.19 | 41,880.77 | 187.96 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/21/04 | 10/20/34 | 174,863.51 | 190,643.60 | | | (1,208.37) | | 173,655.14 | 190,259.39 | 824.16 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 10/21/04 | 10/20/34 | 133,943.96 | 139,724.86 | | | (696.63) | | 133,247.33 | 143,520.82 | 4,492.59 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 10/28/04 | 10/20/34 | 236,293.42 | 245,726.18 | | | (1,234.42) | | 235,059.00 | 252,231.13 | 7,739.37 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/28/04 | 10/20/34 | 50,691.12 | 55,265.94 | | | (245.42) | | 50,445.70 | 55,269.41 | 248.89 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/04/04 | 11/20/34 | 427,145.78 | 464,890.48 | | | (6,015.86) | | 421,129.92 | 460,610.00 | 1,735.38 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 11/04/04 | 10/20/34 | 176,798.27 | 183,856.92 | | | (919.06) | | 175,879.21 | 188,728.92 | 5,791.06 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 11/10/04 | 10/20/34 | 108,381.07 | 113,060.41 | | | (595.40) | | 107,785.67 | 116,097.68 | 3,632.67 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/18/04 | 11/20/34 | 100,839.98 | 109,942.89 | | | (464.47) | | 100,375.51 | 109,975.81 | 497.39 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 11/18/04 | 10/20/34 | 225,818.63 | 235,569.75 | | | (1,179.36) | | 224,639.27 | 241,964.05 | 7,573.66 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/23/04 | 11/20/34 | 251,627.39 | 274,342.86 | | | (1,186.48) | | 250,440.91 | 274,395.14 | 1,238.76 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 11/01/04 | 11/20/34 | 163,302.56 | 169,822.91 | | | (118,671.76) | | 44,630.80 | 47,891.67 | (3,259.48) | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 12/29/04 | 12/20/34 | 255,240.23 | 278,290.82 | | | (1,223.66) | | 254,016.57 | 278,321.50 | 1,254.34 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 12/29/04 | 12/20/34 | 146,780.85 | 152,648.75 | | | (874.28) | | 145,906.57 | 156,574.38 | 4,799.91 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 03/30/05 | 01/20/35 | 162,398.37 | 168,706.42 | | | (1,523.42) | | 160,874.95 | 172,443.73 | 5,260.73 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 01/13/05 | 01/20/35 | 209,679.24 | 228,354.49 | | | (984.62) | | 208,694.62 | 228,462.68 | 1,092.81 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 01/19/05 | 01/20/35 | 100,426.21 | 104,650.62 | | | (698.93) | | 99,727.28 | 107,299.35 | 3,347.66 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GNMA | 2003A RMRB | 4.49 | 01/27/05 | 01/20/35 | 623,311.73 | 647,493.03 | | | (3,260.22) | | 620,051.51 | 664,609.64 | 20,376.83 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 02/03/05 | 01/20/35 | 51,162.93 | 55,623.73 | | | (245.72) | | 50,917.21 | 55,644.56 | 266.55 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 02/03/05 | 02/20/35 | 590,429.31 | 615,275.53 | | | (3,331.15) | | 587,098.16 | 631,685.40 | 19,741.02 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/10/05 | 02/20/35 | 98,985.27 | 107,806.47 | | | (433.53) | | 98,551.74 | 107,891.69 | 518.75 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 03/17/05 | 01/20/35 | 25,989.32 | 27,083.71 | | | (132.61) | | 25,856.71 | 27,821.10 | 870.00 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/17/05 | 03/20/35 | 60,410.23 | 65,794.43 | | | (329.15) | | 60,081.08 | 65,775.76 | 310.48 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/07/05 | 04/20/35 | 145,518.26 | 158,491.10 | | | (753.94) | | 144,764.32 | 158,488.73 | 751.57 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/21/05 | 04/20/35 | 212,116.71 | 231,029.08 | | | (964.67) | | 211,152.04 | 231,172.90 | 1,108.49 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 04/28/05 | 03/20/35 | 58,392.91 | 60,854.23 | | | (295.39) | | 58,097.52 | 62,513.91 | 1,955.07 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/28/05 | 04/20/35 | 104,086.84 | 113,367.93 | | | (447.98) | | 103,638.86 | 113,466.19 | 546.24 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 05/12/05 | 05/20/35 | 142,972.49 | 155,723.09 | | | (3,664.21) | | 139,308.28 | 152,520.19 | 461.31 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/19/05 | 05/20/35 | 1,032,779.55 | 1,072,955.39 | | | (6,084.63) | | 1,026,694.92 | 1,100,587.34 | 33,716.58 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/07/05 | 07/20/35 | 466,646.88 | 508,289.62 | | | (2,000.39) | | 464,646.49 | 508,738.94 | 2,449.71 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/14/05 | 07/20/35 | 339,521.72 | 369,178.33 | | | (1,535.74) | | 337,985.98 | 369,420.28 | 1,777.69 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 05/26/05 | 04/20/35 | 119,138.35 | 124,163.28 | | | (601.31) | | 118,537.04 | 127,551.05 | 3,989.08 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 05/26/05 | 05/20/35 | 307,646.14 | 335,086.40 | | | (1,406.93) | | 306,239.21 | 335,286.12 | 1,606.65 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 06/09/05 | 05/20/35 | 267,566.63 | 291,434.97 | | | (1,392.08) | | 266,174.55 | 291,424.25 | 1,381.36 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 06/15/05 | 06/20/35 | 264,995.53 | 288,637.13 | | | (1,139.10) | | 263,856.43 | 288,888.85 | 1,390.82 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 06/23/05 | 06/20/35 | 170,042.54 | 184,891.71 | | | (740.65) | | 169,301.89 | 185,044.04 | 892.98 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/08/05 | 09/20/35 | 261,949.94 | 285,341.98 | | | (1,159.37) | | 260,790.57 | 285,554.29 | 1,371.68 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/15/05 | 09/20/35 | 270,604.88 | 294,771.28 | | | (40,731.84) | | 229,873.04 | 251,702.18 | (2,337.26) | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/22/05 | 09/20/35 | 127,963.43 | 139,391.93 | | | (549.40) | | 127,414.03 | 139,514.22 | 671.69 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 07/28/05 | 07/20/35 | 81,449.00 | 84,889.51 | | | (432.70) | | 81,016.30 | 87,182.45 | 2,725.64 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/21/05 | 07/20/35 | 324,693.64 | 353,672.27 | | | (2,808.32) | | 321,885.32 | 352,434.39 | 1,570.44 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 07/28/05 | 07/20/35 | 147,493.01 | 160,657.61 | | | (766.49) | | 146,726.52 | 160,652.66 | 761.54 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/04/05 | 07/20/35 | 252,745.07 | 275,305.41 | | | (1,419.55) | | 251,325.52 | 275,180.76 | 1,294.90 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/11/05 | 08/20/35 | 246,210.69 | 268,190.20 | | | (90,064.88) | | 156,145.81 | 170,968.54 | (7,156.78) | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/18/05 | 07/20/35 | 293,947.88 | 320,189.26 | | | (1,261.11) | | 292,686.77 | 320,471.17 | 1,543.02 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/30/05 | 08/20/35 | 578,774.72 | 630,452.08 | | | (78,679.12) | | 500,095.60 | 547,576.73 | (4,196.23) | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 08/30/05 | 08/20/35 | 76,788.86 | 83,645.15 | | | (419.68) | | 76,369.18 | 83,619.99 | 394.52 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/27/05 | 10/20/35 | 250,646.94 | 273,040.92 | | | (1,078.34) | | 249,568.60 | 273,278.02 | 1,315.44 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 09/29/05 | 09/20/35 | 457,076.51 | 497,901.31 | | | (1,945.56) | | 455,130.95 | 498,356.55 | 2,400.80 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/06/05 | 09/20/35 | 274,891.38 | 299,445.43 | | | (1,152.05) | | 273,739.33 | 299,738.96 | 1,445.58 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/13/05 | 10/20/35 | 309,988.24 | 337,680.31 | | | (1,295.46) | | 308,692.78 | 338,015.35 | 1,630.50 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/20/05 | 10/20/35 | 217,862.41 | 237,326.06 | | | (930.99) | | 216,931.42 | 237,539.06 | 1,143.99 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 10/20/05 | 10/20/35 | 200,216.88 | 218,104.10 | | | (1,099.62) | | 199,117.26 | 218,032.62 | 1,028.14 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 12/15/05 | 12/20/35 | 145,696.26 | 158,720.65 | | | (748.80) | | 144,947.46 | 158,724.91 | 753.06 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/03/05 | 09/20/35 | 194,963.00 | 212,382.13 | | | (819.33) | | 194,143.67 | 212,587.85 | 1,025.05 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/03/05 | 10/20/35 | 200,066.32 | 217,942.28 | | | (830.31) | | 199,236.01 | 218,164.86 | 1,052.89 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/10/05 | 11/20/35 | 153,154.37 | 166,840.43 | | | (634.03) | | 152,520.34 | 167,012.55 | 806.15 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/17/05 | 07/20/35 | 115,698.55 | 126,035.98 | | | (488.10) | | 115,210.45 | 126,155.89 | 608.01 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/17/05 | 10/20/35 | 152,470.57 | 166,095.69 | | | (736.01) | | 151,734.56 | 166,152.27 | 792.59 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 11/22/05 | 11/20/35 | 110,670.37 | 120,561.10 | | | (474.58) | | 110,195.79 | 120,667.49 | 580.97 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 12/29/05 | 12/20/35 | 328,387.50 | 357,124.85 | | | (1,866.92) | | 326,520.58 | 356,941.80 | 1,683.87 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 01/12/06 | 01/20/36 | 203,220.27 | 220,999.09 | | | (1,118.83) | | 202,101.44 | 220,948.18 | 1,067.92 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 01/12/06 | 12/20/35 | 75,229.60 | 81,956.43 | | | (307.29) | | 74,922.31 | 82,045.51 | 396.37 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/09/06 | 02/20/36 | 301,900.34 | 327,755.43 | | | (1,275.80) | | 300,624.54 | 328,107.66 | 1,628.03 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/09/06 | 02/20/36 | 104,378.65 | 113,515.64 | | | (429.82) | | 103,948.83 | 113,647.85 | 562.03 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 02/09/06 | 01/20/36 | 67,541.50 | 73,452.03 | | | (274.84) | | 67,266.66 | 73,541.16 | 363.97 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 02/23/06 | 01/20/36 | 89,062.21 | 96,856.98 | | | (361.44) | | 88,700.77 | 96,975.59 | 480.05 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/09/06 | 02/20/36 | 347,910.78 | 378,365.85 | | | (1,424.70) | | 346,486.08 | 378,815.20 | 1,874.05 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 03/30/06 | 03/20/36 | 211,537.08 | 230,059.05 | | | (847.38) | | 210,689.70 | 230,352.90 | 1,141.23 | 0.00 |
| GNMA | 2003A RMRB | 5.49 | 04/27/06 | 03/20/36 | 133,606.89 | 145,308.45 | | | (552.75) | | 133,054.14 | 145,474.86 | 719.16 | 0.00 |
| GNMA | 2003A RMRB | 4.49 | 04/27/06 | 03/20/36 | 114,732.96 | 118,826.09 | | | (539.21) | | 114,193.75 | 122,270.95 | 3,984.07 | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 03/25/04 | 02/01/34 | 188,200.88 | 194,808.28 | | | (1,040.45) | | 187,160.43 | 198,998.64 | 5,230.81 | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 07/29/04 | 07/01/34 | 290,018.90 | 300,218.12 | | | (1,589.21) | | 288,429.69 | 306,690.90 | 8,061.99 | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 08/26/04 | 08/01/34 | 98,441.94 | 101,905.22 | | | (648.91) | | 97,793.03 | 103,985.90 | 2,729.59 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 09/23/04 | 08/01/34 | 191,058.95 | 205,389.22 | | | (902.64) | | 190,156.31 | 205,844.21 | 1,357.63 | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 09/29/04 | 09/01/34 | 308,742.10 | 319,608.43 | | | (1,648.98) | | 307,093.12 | 326,544.80 | 8,585.35 | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 11/10/04 | 10/01/34 | 153,486.54 | 158,891.45 | | | (831.04) | | 152,655.50 | 162,327.84 | 4,267.43 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FNMA | 2003A RMRB | 4.49 | 03/29/05 | 01/20/35 | 213,984.58 | 221,010.75 | | | (1,372.44) | | 212,612.14 | 225,562.92 | 5,924.61 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 06/23/05 | 06/01/35 | 335,056.53 | 359,598.61 | | | (1,499.67) | | 333,556.86 | 360,278.63 | 2,179.69 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 08/18/05 | 06/01/35 | 291,513.86 | 312,872.82 | | | (1,837.73) | | 289,676.13 | 312,888.83 | 1,853.74 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 09/08/05 | 08/01/35 | 176,634.34 | 189,578.47 | | | (72,315.69) | | 104,318.65 | 112,679.40 | (4,583.38) | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 10/06/05 | 10/01/35 | 148,337.92 | 159,210.82 | | | (908.99) | | 147,428.93 | 159,247.22 | 945.39 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 10/20/05 | 10/01/35 | 174,919.32 | 187,741.53 | | | (1,129.61) | | 173,789.71 | 187,722.09 | 1,110.17 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 12/29/05 | 12/01/35 | 295,785.56 | 317,477.27 | | | (51,559.86) | | 244,225.70 | 263,812.73 | (2,104.68) | 0.00 |
| FNMA | 2003A RMRB | 4.49 | 01/12/06 | 12/01/35 | 70,284.78 | 72,601.90 | | | (339.41) | | 69,945.37 | 74,215.47 | 1,952.98 | 0.00 |
| FNMA | 2003A RMRB | 5.49 | 02/02/06 | 01/01/36 | 108,606.60 | 116,435.60 | | | (523.95) | | 108,082.65 | 116,349.97 | 438.32 | 0.00 |
| Repo Agmt | 2003A RMRB | 0.20 | 08/31/10 | 09/01/10 | 4,124.51 | 4,124.51 | 56,608.66 | | | | 60,733.17 | 60,733.17 | - | 0.00 |
| | **2003A RMRB Total** | | | | 47,314,270.05 | 49,874,922.20 | 56,786.32 | (487,293.65) | (1,199,023.83) | 0.00 | 45,684,738.89 | 49,235,663.38 | 990,272.34 | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 08/31/89 | 07/20/18 | 223,381.86 | 247,093.53 | | | (7,285.14) | | 216,096.72 | 239,305.87 | (502.52) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 10/31/89 | 09/20/18 | 385,716.00 | 426,671.64 | | | (10,169.95) | | 375,546.05 | 415,892.42 | (609.27) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 10/31/89 | 09/20/18 | 24,489.94 | 27,708.20 | | | (509.95) | | 23,979.99 | 24,291.15 | (2,907.10) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 11/30/89 | 10/20/18 | 443,141.64 | 493,905.39 | | | (27,872.92) | | 415,268.72 | 463,662.30 | (2,370.17) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 11/30/89 | 09/20/18 | 29,375.41 | 33,847.78 | | | (1,353.21) | | 28,022.20 | 29,101.03 | (3,393.54) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 01/01/90 | 11/20/18 | 206,856.63 | 228,827.43 | | | (15,684.11) | | 191,172.52 | 211,717.03 | (1,426.29) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 01/01/90 | 11/20/18 | 98,067.32 | 110,957.29 | | | (1,866.48) | | 96,200.84 | 109,028.54 | (62.27) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 01/01/90 | 12/20/18 | 137,027.31 | 151,582.90 | | | (3,149.56) | | 133,877.75 | 148,266.55 | (166.79) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 02/27/90 | 12/20/18 | 27,039.16 | 29,911.67 | | | (580.86) | | 26,458.30 | 26,631.68 | (2,699.13) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 05/29/90 | 02/20/19 | 45,603.84 | 51,742.36 | | | (2,201.87) | | 43,401.97 | 49,383.27 | (157.22) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 03/30/90 | 01/20/19 | 188,235.66 | 209,023.57 | | | (23,545.37) | | 164,690.29 | 183,280.57 | (2,197.63) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 03/30/90 | 01/20/19 | 15,309.40 | 17,369.78 | | | (291.22) | | 15,018.18 | 17,087.48 | 8.92 | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 04/26/90 | 03/20/19 | 149,507.58 | 166,022.49 | | | (3,557.83) | | 145,949.75 | 162,428.46 | (36.20) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 04/26/90 | 03/20/19 | 103,293.30 | 117,197.44 | | | (3,077.48) | | 100,215.82 | 114,026.88 | (93.08) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 05/29/90 | 04/20/19 | 283,666.41 | 315,005.31 | | | (6,718.51) | | 276,947.90 | 308,221.62 | (65.18) | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 06/28/90 | 04/20/19 | 13,233.42 | 15,015.03 | | | (499.21) | | 12,734.21 | 12,829.58 | (1,686.24) | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 10/31/90 | 07/20/19 | 28,858.16 | 32,048.08 | | | (538.94) | | 28,319.22 | 31,518.80 | 9.66 | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 12/21/90 | 08/20/19 | 20,695.42 | 22,983.44 | | | (390.07) | | 20,305.35 | 22,599.89 | 6.52 | 0.00 |
| GNMA | 1999 A RMRB | 7.50 | 03/28/91 | 11/20/19 | 14,988.24 | 16,646.02 | | | (287.69) | | 14,700.55 | 16,362.46 | 4.13 | 0.00 |
| GNMA | 1999 A RMRB | 8.75 | 04/26/91 | 01/20/20 | 97,363.44 | 110,856.07 | | | (3,374.27) | | 93,989.17 | 107,427.48 | (54.32) | 0.00 |
| GNMA | 1999 A RMRB | | | | 19,229.87 | 21,357.17 | | | (19,229.87) | | | | (2,127.30) | 0.00 |
| GNMA | 1999 A RMRB | 5.35 | 01/31/01 | 08/20/30 | 20,872.43 | 22,536.59 | | | (137.35) | | 20,735.08 | 22,526.18 | 126.94 | 0.00 |
| GNMA | 1999 A RMRB | 5.35 | 01/31/01 | 01/20/31 | 135,782.25 | 146,567.43 | | | (1,537.13) | | 134,245.12 | 145,808.99 | 778.69 | 0.00 |
| FNMA | 1999 A RMRB | 5.35 | 03/15/01 | 10/01/30 | 138,097.78 | 147,411.09 | | | (1,504.32) | | 136,593.46 | 147,265.50 | 1,358.73 | 0.00 |
| FNMA | 1999 A RMRB | 5.35 | 06/18/01 | 03/01/31 | 58,051.43 | 61,949.00 | | | (2,599.00) | | 55,452.43 | 59,768.29 | 418.29 | 0.00 |
| GNMA | 1999 A RMRB | 5.35 | 03/18/02 | 02/20/32 | 36,761.08 | 39,665.94 | | | (217.32) | | 36,543.76 | 39,679.57 | 230.95 | 0.00 |
| Repo Agmt | 1999 A RMRB | 0.20 | 08/31/10 | 09/01/10 | 401,199.23 | 401,199.23 | | (385,000.00) | | | 16,199.23 | 16,199.23 | - | 0.00 |
| | **1999 A RMRB Total** | | | | 3,345,844.21 | 3,665,101.87 | 0.00 | (385,000.00) | (138,179.63) | 0.00 | 2,822,664.58 | 3,124,310.82 | (17,611.42) | 0.00 |
| | **Total Residential Mortgage Revenue Bonds Investment Summary** | | | | 621,355,221.20 | 640,570,426.64 | 25,193,865.23 | (86,766,653.68) | (5,037,264.45) | (0.00) | 554,745,168.30 | 573,723,385.05 | (236,988.69) | 3,660,397.31 |

## Texas Department of Housing and Community Affairs
## Collateralized Home Mortgage Revenue Bonds Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | 1992 A-C CHMRB | 0.20 | 08/31/10 | 09/01/10 | 118,892.73 | 118,892.73 | 65,242.92 | | | | 184,135.65 | 184,135.65 | - | 0.00 |
| GIC's | 1992 A-C CHMRB | 6.09 | 06/29/92 | 07/02/24 | 360,129.76 | 360,129.76 | | (247,687.55) | | | 112,442.21 | 112,442.21 | - | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 12/01/23 | 26,634.14 | 29,779.79 | | | (324.83) | | 26,309.31 | 29,686.56 | 231.60 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 05/01/23 | 92,198.00 | 103,080.67 | | | (45,275.22) | | 46,922.78 | 52,942.75 | (4,862.70) | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 06/01/23 | 163,541.38 | 183,118.91 | | | (3,538.21) | | 160,003.17 | 180,909.31 | 1,328.61 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 02/01/25 | 825,393.39 | 925,525.08 | | | (21,876.50) | | 803,516.89 | 910,023.64 | 6,375.06 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 03/01/25 | 444,409.44 | 498,325.92 | | | (6,773.76) | | 437,635.68 | 495,648.54 | 4,096.38 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 03/01/25 | 119,182.60 | 133,642.07 | | | (2,409.00) | | 116,773.60 | 132,253.10 | 1,020.03 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 05/01/25 | 454,482.14 | 509,628.81 | | | (7,815.10) | | 446,667.04 | 505,885.20 | 4,071.49 | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 05/01/25 | 498,701.81 | 559,824.22 | | | (7,587.09) | | 491,114.72 | 556,939.73 | 4,702.60 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/96 | 12/20/22 | 111,382.96 | 125,101.00 | | | (1,613.37) | | 109,769.59 | 123,744.88 | 257.25 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 01/20/23 | 145,782.95 | 163,969.90 | | | (2,935.05) | | 142,847.90 | 161,289.64 | 254.79 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 04/20/23 | 95,635.97 | 107,571.44 | | | (2,874.55) | | 92,761.42 | 104,741.51 | 44.62 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 07/20/23 | 293,266.22 | 329,880.04 | | | (4,611.52) | | 288,654.70 | 325,948.04 | 679.52 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 08/20/23 | 71,490.26 | 80,416.89 | | | (1,035.48) | | 70,454.78 | 79,558.57 | 177.16 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 09/20/23 | 10,611.58 | 11,936.79 | | | (568.21) | | 10,043.37 | 11,341.30 | (27.28) | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 12/20/23 | 196,284.91 | 220,806.05 | | | (3,211.62) | | 193,073.29 | 218,033.08 | 438.65 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 05/20/23 | 35,376.65 | 39,792.25 | | | (418.16) | | 34,958.49 | 39,473.92 | 99.83 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 04/20/25 | 410,088.41 | 462,555.09 | | | (6,006.80) | | 404,081.61 | 457,657.35 | 1,109.06 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 05/20/25 | 327,971.69 | 369,936.95 | | | (7,617.66) | | 320,354.03 | 362,833.10 | 513.81 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 06/30/95 | 06/20/25 | 290,546.85 | 327,727.37 | | | (3,698.84) | | 286,848.01 | 324,888.02 | 859.49 | 0.00 |
| GIC's | 1992 A-C CHMRB | 6.09 | 06/29/92 | 07/02/24 | 100,000.00 | 100,000.00 | 0.00 | | | | 100,000.00 | 100,000.00 | - | 0.00 |
| GIC's | 1992 A-C CHMRB | 6.09 | 06/29/92 | 07/02/24 | | | 37,505.74 | | | | 37,505.74 | 37,505.74 | - | 0.00 |
| FNMA | 1992 A-C CHMRB | 6.91 | 04/28/95 | 06/01/23 | 96,638.95 | 108,045.08 | | | (1,959.28) | | 94,679.67 | 106,825.98 | 740.18 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 04/28/95 | 03/20/23 | 485,130.82 | 545,654.27 | | | (7,510.40) | | 477,620.42 | 539,283.65 | 1,139.78 | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 04/28/95 | 01/20/25 | 1,405,176.32 | 1,584,856.14 | | | (51,286.42) | | 1,353,889.90 | 1,533,302.14 | (267.58) | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 04/28/95 | 02/20/25 | 1,085,221.44 | 1,224,004.61 | | | (52,692.99) | | 1,032,528.45 | 1,169,370.42 | (1,941.20) | 0.00 |
| GNMA | 1992 A-C CHMRB | 6.91 | 04/28/95 | 03/20/25 | 1,146,123.33 | 1,292,709.15 | | | (14,889.33) | | 1,131,234.00 | 1,281,171.62 | 3,351.80 | 0.00 |
| Repo Agmt | 1992 A-C CHMRB | 0.20 | 08/31/10 | 09/01/10 | 13,053.09 | 13,053.09 | 6.00 | | | | 13,059.09 | 13,059.09 | - | 0.00 |
| | **1992 A-C CHMRB Total** | | | | 9,423,347.79 | 10,529,964.07 | 102,754.66 | (247,687.55) | (258,529.39) | 0.00 | 9,019,885.51 | 10,150,894.74 | 24,392.95 | 0.00 |
| | **Total CHMRB Investment Summary** | | | | 9,423,347.79 | 10,529,964.07 | 102,754.66 | (247,687.55) | (258,529.39) | 0.00 | 9,019,885.51 | 10,150,894.74 | 24,392.95 | 0.00 |

## Texas Department of Housing and Community Affairs
## Multi Family Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mutual Fund | 1996 A&B MF (Brighton/LasColi) | 0.01 | 08/01/10 | 09/01/10 | 44,824.97 | 44,824.97 | 0.00 | | | | 44,824.97 | 44,824.97 | - | 0.00 |
| Mutual Fund | 1996 A&B MF (Brighton/LasColi) | 0.01 | 08/01/10 | 09/01/10 | 44,506.39 | 44,506.39 | | (15,845.19) | | | 28,661.20 | 28,661.20 | - | 0.00 |
| | **1996 A&B MF (Brighton/LasColi) Total** | | | | 89,331.36 | 89,331.36 | 0.00 | (15,845.19) | 0.00 | 0.00 | 73,486.17 | 73,486.17 | 0.00 | 0.00 |
| Mutual Fund | 1996 A&B MF (Braxton's) | 0.01 | 08/01/10 | 09/01/10 | 76,121.48 | 76,121.48 | 0.00 | | | | 76,121.48 | 76,121.48 | - | 0.00 |
| Mutual Fund | 1996 A&B MF (Braxton's) | 0.01 | 08/01/10 | 09/01/10 | 66,739.53 | 66,739.53 | | (29,815.58) | | | 36,923.95 | 36,923.95 | - | 0.00 |
| | **1996 A&B MF (Braxton's) Total** | | | | 142,861.01 | 142,861.01 | 0.00 | (29,815.58) | 0.00 | 0.00 | 113,045.43 | 113,045.43 | 0.00 | 0.00 |
| Money Market | 1987 South Tx. Rental Housing | 0.00 | 08/01/10 | 09/01/10 | 20.09 | 20.09 | 0.00 | | | | 20.09 | 20.09 | - | 0.00 |
| Repo Agmt | 1987 South Tx. Rental Housing | 0.20 | 08/31/10 | 09/01/10 | 522,889.38 | 522,889.38 | 240.31 | | | | 523,129.69 | 523,129.69 | - | 0.00 |
| Mutual Fund | 1987 South Tx. Rental Housing | 0.00 | 08/01/10 | 09/01/10 | 1,532.85 | 1,532.85 | 0.00 | | | | 1,532.85 | 1,532.85 | - | 0.00 |
| | **1987 South Tx. Rental Housing Total** | | | | 524,442.32 | 524,442.32 | 240.31 | 0.00 | 0.00 | 0.00 | 524,682.63 | 524,682.63 | 0.00 | 0.00 |
| Mutual Fund | 1998 M/F (Pebble Brook) | 0.01 | 08/01/10 | 09/01/10 | 148,982.55 | 148,982.55 | | (106,474.75) | | | 42,507.80 | 42,507.80 | - | 0.00 |
| Inv Agmt | 1998 M/F (Pebble Brook) | 5.20 | 04/30/98 | 12/01/30 | 22,517.29 | 22,517.29 | 189,112.06 | | | | 211,629.35 | 211,629.35 | - | 0.00 |
| Money Market | 1998 M/F (Pebble Brook) | 0.01 | 08/01/10 | 09/01/10 | 3,006.71 | 3,006.71 | 0.00 | | | | 3,006.71 | 3,006.71 | - | 0.00 |
| | **1998 M/F (Pebble Brook) Total** | | | | 174,506.55 | 174,506.55 | 189,112.06 | (106,474.75) | 0.00 | 0.00 | 257,143.86 | 257,143.86 | 0.00 | 0.00 |
| Mutual Fund | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 67,172.19 | 67,172.19 | 13,681.89 | | | | 80,854.08 | 80,854.08 | - | 0.00 |
| Mutual Fund | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 25,708.83 | 25,708.83 | | (2,535.28) | | | 23,173.55 | 23,173.55 | - | 0.00 |
| Money Market | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 767.56 | 767.56 | 1,837.71 | | | | 2,605.27 | 2,605.27 | - | 0.00 |
| Mutual Fund | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 13,425.90 | 13,425.90 | 44,574.10 | | | | 58,000.00 | 58,000.00 | - | 0.00 |
| Mutual Fund | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 36,587.73 | 36,587.73 | 99,915.74 | | | | 136,503.47 | 136,503.47 | - | 0.00 |
| Mutual Fund | 1998 M/F (Residence Oaks Proj) | 0.01 | 08/01/10 | 09/01/10 | 25,929.52 | 25,929.52 | | (5,201.91) | | | 20,727.61 | 20,727.61 | - | 0.00 |
| | **1998 M/F (Residence Oaks Proj) Total** | | | | 169,591.73 | 169,591.73 | 160,009.44 | (7,737.19) | 0.00 | 0.00 | 321,863.98 | 321,863.98 | 0.00 | 0.00 |
| Mutual Fund | 1998 M/F (Greens-Hickory Trail | 0.01 | 08/01/10 | 09/01/10 | 110,334.17 | 110,334.17 | 0.00 | | | | 110,334.17 | 110,334.17 | - | 0.00 |
| Mutual Fund | 1998 M/F (Greens-Hickory Trail | 0.01 | 08/01/10 | 09/01/10 | 145,417.21 | 145,417.21 | 21,343.01 | | | | 166,760.22 | 166,760.22 | - | 0.00 |
| Mutual Fund | 1998 M/F (Greens-Hickory Trail | 0.01 | 08/01/10 | 09/01/10 | 72,500.01 | 72,500.01 | 72,500.01 | | | | 145,000.02 | 145,000.02 | - | 0.00 |
| Mutual Fund | 1998 M/F (Greens-Hickory Trail | 0.01 | 08/01/10 | 09/01/10 | 153,660.80 | 153,660.80 | 152,982.39 | | | | 306,643.19 | 306,643.19 | - | 0.00 |
| Mutual Fund | 1998 M/F (Greens-Hickory Trail | 0.01 | 08/01/10 | 09/01/10 | 35,336.08 | 35,336.08 | 13,184.98 | | | | 48,521.06 | 48,521.06 | - | 0.00 |
| | **1998 M/F (Greens-Hickory Trail Total** | | | | 517,248.27 | 517,248.27 | 260,010.39 | 0.00 | 0.00 | 0.00 | 777,258.66 | 777,258.66 | 0.00 | 0.00 |
| Mutual Fund | 1999 M/F (Mayfield Apts) | 0.01 | 08/01/10 | 09/01/10 | 109,917.50 | 109,917.50 | 43,209.00 | | | | 153,126.50 | 153,126.50 | - | 0.00 |
| Mutual Fund | 1999 M/F (Mayfield Apts) | 0.01 | 08/01/10 | 09/01/10 | 838.46 | 838.46 | 7,569.99 | | | | 8,408.45 | 8,408.45 | - | 0.00 |
| Mutual Fund | 1999 M/F (Mayfield Apts) | 0.01 | 08/01/10 | 09/01/10 | 5,567.87 | 5,567.87 | | (5,411.48) | | | 156.39 | 156.39 | - | 0.00 |
| Mutual Fund | 1999 M/F (Mayfield Apts) | 0.01 | 08/01/10 | 09/01/10 | 20,333.33 | 20,333.33 | 60,999.99 | | | | 81,333.32 | 81,333.32 | - | 0.00 |
| Mutual Fund | 1999 M/F (Mayfield Apts) | 0.01 | 08/01/10 | 09/01/10 | 47,924.82 | 47,924.82 | 138,809.49 | | | | 186,734.31 | 186,734.31 | - | 0.00 |
| | **1999 M/F (Mayfield Apts) Total** | | | | 184,581.98 | 184,581.98 | 250,588.47 | (5,411.48) | 0.00 | 0.00 | 429,758.97 | 429,758.97 | 0.00 | 0.00 |
| Mutual Fund | 2000 M/F (Timber Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 5,715.67 | 5,715.67 | 7,539.28 | | | | 13,254.95 | 13,254.95 | - | 0.00 |
| Mutual Fund | 2000 M/F (Timber Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 32,734.76 | 32,734.76 | 196.00 | | | | 32,930.76 | 32,930.76 | - | 0.00 |
| Mutual Fund | 2000 M/F (Timber Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 80,384.40 | 80,384.40 | 34,773.00 | | | | 115,157.40 | 115,157.40 | - | 0.00 |
| | **2000 M/F (Timber Point Apts) Total** | | | | 118,834.83 | 118,834.83 | 42,508.28 | 0.00 | 0.00 | 0.00 | 161,343.11 | 161,343.11 | 0.00 | 0.00 |
| Mutual Fund | 2000 A&B M/F (Oaks at Hampton) | 0.01 | 08/01/10 | 09/01/10 | 66,714.26 | 66,714.26 | 55,800.13 | | | | 122,514.39 | 122,514.39 | - | 0.00 |
| Mutual Fund | 2000 A&B M/F (Oaks at Hampton) | 0.01 | 08/01/10 | 09/01/10 | 203,975.05 | 203,975.05 | 14,427.76 | | | | 218,402.81 | 218,402.81 | - | 0.00 |
| Mutual Fund | 2000 A&B M/F (Oaks at Hampton) | 0.01 | 08/01/10 | 09/01/10 | 93,212.39 | 93,212.39 | | (1.67) | | | 93,210.72 | 93,210.72 | - | 0.00 |
| Mutual Fund | 2000 A&B M/F (Oaks at Hampton) | 0.01 | 08/01/10 | 09/01/10 | 12,139.82 | 12,139.82 | 4,818.79 | | | | 16,958.61 | 16,958.61 | - | 0.00 |
| | **2000 A&B M/F (Oaks at Hampton) Total** | | | | 376,041.52 | 376,041.52 | 75,046.68 | (1.67) | 0.00 | 0.00 | 451,086.53 | 451,086.53 | 0.00 | 0.00 |
| Mutual Fund | 2000 M/F (Deerwood Apts) | 0.01 | 08/01/10 | 09/01/10 | 13,719.18 | 13,719.18 | 5,600.00 | | | | 19,319.18 | 19,319.18 | - | 0.00 |
| Inv Agmt | 2000 M/F (Deerwood Apts) | 6.15 | 05/23/00 | 06/01/32 | 250,265.92 | 250,265.92 | | (115,615.71) | | | 134,650.21 | 134,650.21 | - | 0.00 |
| | **2000 M/F (Deerwood Apts) Total** | | | | 263,985.10 | 263,985.10 | 5,600.00 | (115,615.71) | 0.00 | 0.00 | 153,969.39 | 153,969.39 | 0.00 | 0.00 |
| Mutual Fund | 2000 M/F (Creek Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 5,462.97 | 5,462.97 | 1,484.62 | | | | 6,947.59 | 6,947.59 | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mutual Fund | 2000 M/F (Creek Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 25,231.62 | 25,231.62 | | (10,002.00) | | | 15,229.62 | 15,229.62 | - | 0.00 |
| Money Market | 2000 M/F (Creek Point Apts) | 0.01 | 08/01/10 | 09/01/10 | 69,170.73 | 69,170.73 | 30,180.00 | | | | 99,350.73 | 99,350.73 | - | 0.00 |
| | **2000 M/F (Creek Point Apts) Total** | | | | 99,865.32 | 99,865.32 | 31,664.62 | (10,002.00) | 0.00 | 0.00 | 121,527.94 | 121,527.94 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2000 M/F (Parks @ Westmoreld) | 0.01 | 08/01/10 | 09/01/10 | 30,110.14 | 30,110.14 | | (14,928.61) | | | 15,181.53 | 15,181.53 | - | 0.00 |
| Mutual Fund | 2000 M/F (Parks @ Westmoreld) | 0.01 | 08/01/10 | 09/01/10 | 252,060.66 | 252,060.66 | 14,428.97 | | | | 266,489.63 | 266,489.63 | - | 0.00 |
| Mutual Fund | 2000 M/F (Parks @ Westmoreld) | 0.01 | 08/01/10 | 09/01/10 | 93,084.86 | 93,084.86 | 33.85 | | | | 93,118.71 | 93,118.71 | - | 0.00 |
| Money Market | 2000 M/F (Parks @ Westmoreld) | 0.01 | 08/01/10 | 09/01/10 | | | 433.00 | | | | 433.00 | 433.00 | - | 0.00 |
| Mutual Fund | 2000 M/F (Parks @ Westmoreld) | 0.01 | 08/01/10 | 09/01/10 | 89,580.86 | 89,580.86 | 61,600.05 | | | | 151,180.91 | 151,180.91 | - | 0.00 |
| | **2000 M/F (Parks @ Westmoreld) Total** | | | | 464,836.52 | 464,836.52 | 76,495.87 | (14,928.61) | 0.00 | 0.00 | 526,403.78 | 526,403.78 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2000 A-C MF Highland Meadows | 0.01 | 08/01/10 | 09/01/10 | 49,608.28 | 49,608.28 | 48,179.00 | | | | 97,787.28 | 97,787.28 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Highland Meadows | 0.01 | 08/01/10 | 09/01/10 | 82,517.45 | 82,517.45 | | (43,237.00) | | | 39,280.45 | 39,280.45 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Highland Meadows | 0.01 | 08/01/10 | 09/01/10 | 84,864.99 | 84,864.99 | | (12,712.62) | | | 72,152.37 | 72,152.37 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Highland Meadows | 0.01 | 08/01/10 | 09/01/10 | 11,000.00 | 11,000.00 | 36,999.00 | | | | 47,999.00 | 47,999.00 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Highland Meadows | 0.01 | 08/01/10 | 09/01/10 | 57,397.85 | 57,397.85 | 137,952.00 | | | | 195,349.85 | 195,349.85 | - | 0.00 |
| | **2000 A-C MF Highland Meadows Total** | | | | 285,388.57 | 285,388.57 | 223,130.00 | (55,949.62) | 0.00 | 0.00 | 452,568.95 | 452,568.95 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Money Market | 2000 A/B MF Greenbridge | 0.01 | 08/01/10 | 09/01/10 | 32,285.24 | 32,285.24 | 0.81 | | | | 32,286.05 | 32,286.05 | - | 0.00 |
| Mutual Fund | 2000 A/B MF Greenbridge | 0.01 | 08/01/10 | 09/01/10 | 15,037.79 | 15,037.79 | 0.72 | | | | 15,038.51 | 15,038.51 | - | 0.00 |
| Mutual Fund | 2000 A/B MF Greenbridge | 0.01 | 08/01/10 | 09/01/10 | 11,770.00 | 11,770.00 | 0.00 | | | | 11,770.00 | 11,770.00 | - | 0.00 |
| Inv Agmt | 2000 A/B MF Greenbridge | 6.15 | 11/09/00 | 11/01/40 | 5.45 | 5.45 | 0.00 | | | | 5.45 | 5.45 | - | 0.00 |
| Money Market | 2000 A/B MF Greenbridge | 0.01 | 08/01/10 | 09/01/10 | 45,928.47 | 45,928.47 | 1,126.17 | | | | 47,054.64 | 47,054.64 | - | 0.00 |
| | **2000 A/B MF Greenbridge Total** | | | | 105,026.95 | 105,026.95 | 1,127.70 | 0.00 | 0.00 | 0.00 | 106,154.65 | 106,154.65 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2000 A-C MF Collingham Park | 0.01 | 08/01/10 | 09/01/10 | 85,000.95 | 85,000.95 | 53,971.17 | | | | 138,972.12 | 138,972.12 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Collingham Park | 0.01 | 08/01/10 | 09/01/10 | 18,153.84 | 18,153.84 | | (3,888.31) | | | 14,265.53 | 14,265.53 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Collingham Park | 0.01 | 08/01/10 | 09/01/10 | 3,189.50 | 3,189.50 | 3,245.09 | | | | 6,434.59 | 6,434.59 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Collingham Park | 0.01 | 08/01/10 | 09/01/10 | 18,833.33 | 18,833.33 | 56,499.99 | | | | 75,333.32 | 75,333.32 | - | 0.00 |
| Mutual Fund | 2000 A-C MF Collingham Park | 0.01 | 08/01/10 | 09/01/10 | 74,093.60 | 74,093.60 | 210,890.40 | | | | 284,984.00 | 284,984.00 | - | 0.00 |
| | **2000 A-C MF Collingham Park Total** | | | | 199,271.22 | 199,271.22 | 324,606.65 | (3,888.31) | 0.00 | 0.00 | 519,989.56 | 519,989.56 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2000 A/B MF Willams Run | 0.01 | 08/01/10 | 09/01/10 | 13.09 | 13.09 | 0.00 | | | | 13.09 | 13.09 | - | 0.00 |
| Mutual Fund | 2000 A/B MF Willams Run | 0.01 | 08/01/10 | 09/01/10 | 14.72 | 14.72 | 0.00 | | | | 14.72 | 14.72 | - | 0.00 |
| Mutual Fund | 2000 A/B MF Willams Run | 0.01 | 08/01/10 | 09/01/10 | | | 0.03 | | | | 0.03 | 0.03 | - | 0.00 |
| | **2000 A/B MF Willams Run Total** | | | | 27.81 | 27.81 | 0.03 | 0.00 | 0.00 | 0.00 | 27.84 | 27.84 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | 14,188.36 | 14,188.36 | 5,321.93 | | | | 19,510.29 | 19,510.29 | - | 0.00 |
| Money Market | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | | | 241.47 | | | | 241.47 | 241.47 | - | 0.00 |
| Mutual Fund | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | 93,697.06 | 93,697.06 | 62,526.62 | | | | 156,223.68 | 156,223.68 | - | 0.00 |
| Mutual Fund | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | 124,490.41 | 124,490.41 | 11,194.34 | | | | 135,684.75 | 135,684.75 | - | 0.00 |
| Mutual Fund | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | 98,627.36 | 98,627.36 | 0.00 | | | | 98,627.36 | 98,627.36 | - | 0.00 |
| Mutual Fund | 2001A MF Bluffview Sr. Apts. | 0.01 | 08/01/10 | 09/01/10 | 42,074.69 | 42,074.69 | 1.07 | | | | 42,075.76 | 42,075.76 | - | 0.00 |
| | **2001A MF Bluffview Sr. Apts. Total** | | | | 373,077.88 | 373,077.88 | 79,285.43 | 0.00 | 0.00 | 0.00 | 452,363.31 | 452,363.31 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2001A MF Knollwood Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 2,489.61 | 2,489.61 | 6,159.13 | | | | 8,648.74 | 8,648.74 | - | 0.00 |
| Mutual Fund | 2001A MF Knollwood Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 77,434.52 | 77,434.52 | 75,708.58 | | | | 153,143.10 | 153,143.10 | - | 0.00 |
| Mutual Fund | 2001A MF Knollwood Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 34,113.75 | 34,113.75 | 7,646.20 | | | | 41,759.95 | 41,759.95 | - | 0.00 |
| Mutual Fund | 2001A MF Knollwood Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 0.16 | 0.16 | 123,752.25 | | | | 123,752.41 | 123,752.41 | - | 0.00 |
| Money Market | 2001A MF Knollwood Villas Apts | 0.01 | 08/01/10 | 09/01/10 | | | 211.72 | | | | 211.72 | 211.72 | - | 0.00 |
| | **2001A MF Knollwood Villas Apts Total** | | | | 114,038.04 | 114,038.04 | 213,477.88 | 0.00 | 0.00 | 0.00 | 327,515.92 | 327,515.92 | 0.00 | 0.00 |
| | | | | | | | | | | | | | | |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 42,679.77 | 42,679.77 | | (19,995.07) | | | 22,684.70 | 22,684.70 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 233,754.73 | 233,754.73 | 14,499.99 | | | | 248,254.72 | 248,254.72 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 2,788.09 | 2,788.09 | | (417.46) | | | 2,370.63 | 2,370.63 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 68,527.24 | 68,527.24 | 51,179.67 | | | | 119,706.91 | 119,706.91 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 37,124.92 | 37,124.92 | 29,105.01 | | | | 66,229.93 | 66,229.93 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 53,333.36 | 53,333.36 | | (25,000.01) | | | 28,333.35 | 28,333.35 | - | 0.00 |
| Mutual Fund | 2001A MF Skyway Villas | 0.01 | 08/01/10 | 09/01/10 | 222,484.32 | 222,484.32 | | (80,288.13) | | | 142,196.19 | 142,196.19 | - | 0.00 |
| | **2001A MF Skyway Villas Total** | | | | 660,692.43 | 660,692.43 | 94,784.67 | (125,700.67) | 0.00 | 0.00 | 629,776.43 | 629,776.43 | 0.00 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mutual Fund | 2001AB MF Cobb Park | 0.01 | 08/01/10 | 09/01/10 | 225,379.66 | 225,379.66 | | (161,805.25) | | | 63,574.41 | 63,574.41 | - | 0.00 |
| Mutual Fund | 2001AB MF Cobb Park | 0.01 | 08/01/10 | 09/01/10 | 38,398.42 | 38,398.42 | 0.98 | | | | 38,399.40 | 38,399.40 | - | 0.00 |
| | **2001AB MF Cobb Park Total** | | | | 263,778.08 | 263,778.08 | 0.98 | (161,805.25) | 0.00 | 0.00 | 101,973.81 | 101,973.81 | 0.00 | 0.00 |
| Mutual Fund | 2001A MF Greens Road Apts | 0.01 | 08/01/10 | 09/01/10 | 1.50 | 1.50 | 0.00 | | | | 1.50 | 1.50 | - | 0.00 |
| Inv Agmt | 2001A MF Greens Road Apts | 4.01 | 09/14/01 | 06/01/34 | 10,089.44 | 10,089.44 | 143,056.90 | | | | 153,146.34 | 153,146.34 | - | 0.00 |
| | **2001A MF Greens Road Apts Total** | | | | 10,090.94 | 10,090.94 | 143,056.90 | 0.00 | 0.00 | 0.00 | 153,147.84 | 153,147.84 | 0.00 | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | 22,317.39 | 22,317.39 | | (12,452.84) | | | 9,864.55 | 9,864.55 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | 118,825.38 | 118,825.38 | 11,666.66 | | | | 130,492.04 | 130,492.04 | - | 0.00 |
| Money Market | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | 256,095.05 | 256,095.05 | 25,036.34 | | | | 281,131.39 | 281,131.39 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | 48,154.64 | 48,154.64 | | (10,522.06) | | | 37,632.58 | 37,632.58 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | | | 1,955.00 | | | | 1,955.00 | 1,955.00 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | | | 6,000.00 | | | | 6,000.00 | 6,000.00 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | | | 40,110.00 | | | | 40,110.00 | 40,110.00 | - | 0.00 |
| Mutual Fund | 2001AB MF Meridian Apts | 0.01 | 08/01/10 | 09/01/10 | | | 52,267.08 | | | | 52,267.08 | 52,267.08 | - | 0.00 |
| | **2001AB MF Meridian Apts Total** | | | | 445,392.46 | 445,392.46 | 137,035.08 | (22,974.90) | 0.00 | 0.00 | 559,452.64 | 559,452.64 | 0.00 | 0.00 |
| Mutual Fund | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | 2,275.06 | 2,275.06 | 2,475.17 | | | | 4,750.23 | 4,750.23 | - | 0.00 |
| Mutual Fund | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | 76,370.47 | 76,370.47 | | (3,157.60) | | | 73,212.87 | 73,212.87 | - | 0.00 |
| Mutual Fund | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | 369,685.33 | 369,685.33 | 23,882.80 | | | | 393,568.13 | 393,568.13 | - | 0.00 |
| Money Market | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | 61,265.76 | 61,265.76 | 5,833.33 | | | | 67,099.09 | 67,099.09 | - | 0.00 |
| Mutual Fund | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | | | 5,000.00 | | | | 5,000.00 | 5,000.00 | - | 0.00 |
| Mutual Fund | 2001AB MF Wildwood Branch | 0.01 | 08/01/10 | 09/01/10 | | | 32,560.00 | | | | 32,560.00 | 32,560.00 | - | 0.00 |
| | **2001AB MF Wildwood Branch Total** | | | | 509,596.62 | 509,596.62 | 69,751.30 | (3,157.60) | 0.00 | 0.00 | 576,190.32 | 576,190.32 | 0.00 | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 82,925.54 | 82,925.54 | 60,339.23 | | | | 143,264.77 | 143,264.77 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 15,367.72 | 15,367.72 | 1,973.59 | | | | 17,341.31 | 17,341.31 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 36,500.44 | 36,500.44 | 0.92 | | | | 36,501.36 | 36,501.36 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 0.12 | 0.12 | 0.00 | | | | 0.12 | 0.12 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 147,300.49 | 147,300.49 | | (3,231.25) | | | 144,069.24 | 144,069.24 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 124,005.37 | 124,005.37 | | (57,998.81) | | | 66,006.56 | 66,006.56 | - | 0.00 |
| Mutual Fund | 2001ABC MF Fallbrook Apts | 0.01 | 08/01/10 | 09/01/10 | 415,830.00 | 415,830.00 | | (209,945.21) | | | 205,884.79 | 205,884.79 | - | 0.00 |
| | **2001ABC MF Fallbrook Apts Total** | | | | 821,929.68 | 821,929.68 | 62,313.74 | (271,175.27) | 0.00 | 0.00 | 613,068.15 | 613,068.15 | 0.00 | 0.00 |
| Mutual Fund | 2001 MF Oak Hollow Apts | 0.01 | 08/01/10 | 09/01/10 | 30,314.98 | 30,314.98 | 4,143.05 | | | | 34,458.03 | 34,458.03 | - | 0.00 |
| Mutual Fund | 2001 MF Oak Hollow Apts | 0.01 | 08/01/10 | 09/01/10 | 76,917.96 | 76,917.96 | 8,826.39 | | | | 85,744.35 | 85,744.35 | - | 0.00 |
| Mutual Fund | 2001 MF Oak Hollow Apts | 0.01 | 08/01/10 | 09/01/10 | 56,922.22 | 56,922.22 | 0.00 | | | | 56,922.22 | 56,922.22 | - | 0.00 |
| Mutual Fund | 2001 MF Oak Hollow Apts | 0.01 | 08/01/10 | 09/01/10 | 51,236.30 | 51,236.30 | 36,474.08 | | | | 87,710.38 | 87,710.38 | - | 0.00 |
| | **2001 MF Oak Hollow Apts Total** | | | | 215,391.46 | 215,391.46 | 49,443.52 | 0.00 | 0.00 | 0.00 | 264,834.98 | 264,834.98 | 0.00 | 0.00 |
| Mutual Fund | 2001AB MF Hillside Apts | 0.01 | 08/01/10 | 09/01/10 | 17,409.97 | 17,409.97 | 2,774.66 | | | | 20,184.63 | 20,184.63 | - | 0.00 |
| Mutual Fund | 2001AB MF Hillside Apts | 0.01 | 08/01/10 | 09/01/10 | 98,419.68 | 98,419.68 | | (32,169.14) | | | 66,250.54 | 66,250.54 | - | 0.00 |
| Mutual Fund | 2001AB MF Hillside Apts | 0.01 | 08/01/10 | 09/01/10 | 102,438.19 | 102,438.19 | 1,678.92 | | | | 104,117.11 | 104,117.11 | - | 0.00 |
| Mutual Fund | 2001AB MF Hillside Apts | 0.01 | 08/01/10 | 09/01/10 | 75,685.86 | 75,685.86 | 57,524.47 | | | | 133,210.33 | 133,210.33 | - | 0.00 |
| | **2001AB MF Hillside Apts Total** | | | | 293,953.70 | 293,953.70 | 61,978.05 | (32,169.14) | 0.00 | 0.00 | 323,762.61 | 323,762.61 | 0.00 | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 5,228.02 | 5,228.02 | 3,634.97 | | | | 8,862.99 | 8,862.99 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 221,113.63 | 221,113.63 | 15,505.54 | | | | 236,619.17 | 236,619.17 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 44,601.88 | 44,601.88 | | (22,040.05) | | | 22,561.83 | 22,561.83 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 63,007.91 | 63,007.91 | 40,620.10 | | | | 103,628.01 | 103,628.01 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 65,002.87 | 65,002.87 | | (32,502.45) | | | 32,500.42 | 32,500.42 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 256,964.62 | 256,964.62 | | (106,852.42) | | | 150,112.20 | 150,112.20 | - | 0.00 |
| Mutual Fund | 2002A MF Millstone Apts | 0.01 | 08/01/10 | 09/01/10 | 137,968.09 | 137,968.09 | 61,013.82 | | | | 198,981.91 | 198,981.91 | - | 0.00 |
| | **2002A MF Millstone Apts Total** | | | | 793,887.02 | 793,887.02 | 120,774.43 | (161,394.92) | 0.00 | 0.00 | 753,266.53 | 753,266.53 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF SugarCreek Apts | | | | 155.20 | 155.20 | | (155.20) | | | | | - | 0.00 |
| Mutual Fund | 2002 MF SugarCreek Apts | | | | 98,270.06 | 98,270.06 | | (98,270.06) | | | | | - | 0.00 |
| Mutual Fund | 2002 MF SugarCreek Apts | | | | 0.15 | 0.15 | | (0.15) | | | | | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mutual Fund | 2002 MF SugarCreek Apts | | | | 0.05 | 0.05 | | (0.05) | | | | | - | 0.00 |
| | **2002 MF SugarCreek Apts Total** | | | | 98,425.46 | 98,425.46 | 0.00 | (98,425.46) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 880.58 | 880.58 | 0.03 | | | | 880.61 | 880.61 | - | 0.00 |
| Mutual Fund | 2002 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 67,431.54 | 67,431.54 | | (61,156.15) | | | 6,275.39 | 6,275.39 | - | 0.00 |
| Money Market | 2002 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 4,509.60 | 4,509.60 | 4,398.50 | | | | 8,908.10 | 8,908.10 | - | 0.00 |
| Money Market | 2002 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | | | 11,105.44 | | | | 11,105.44 | 11,105.44 | - | 0.00 |
| Mutual Fund | 2002 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 83,506.82 | 83,506.82 | | (4,261.46) | | | 79,245.36 | 79,245.36 | - | 0.00 |
| | **2002 MF West Oaks Apts Total** | | | | 156,328.54 | 156,328.54 | 15,503.97 | (65,417.61) | 0.00 | 0.00 | 106,414.90 | 106,414.90 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF Park Meadows | 0.01 | 08/01/10 | 09/01/10 | | | 1,450.00 | | | | 1,450.00 | 1,450.00 | - | 0.00 |
| Mutual Fund | 2002 MF Park Meadows | 0.01 | 08/01/10 | 09/01/10 | 204,820.03 | 204,820.03 | | (94,334.50) | | | 110,485.53 | 110,485.53 | - | 0.00 |
| Mutual Fund | 2002 MF Park Meadows | 0.01 | 08/01/10 | 09/01/10 | 52.41 | 52.41 | 0.00 | | | | 52.41 | 52.41 | - | 0.00 |
| | **2002 MF Park Meadows Total** | | | | 204,872.44 | 204,872.44 | 1,450.00 | (94,334.50) | 0.00 | 0.00 | 111,987.94 | 111,987.94 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF Clarkridge Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 26,177.46 | 26,177.46 | 6,375.71 | | | | 32,553.17 | 32,553.17 | - | 0.00 |
| Mutual Fund | 2002 MF Clarkridge Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 142,383.21 | 142,383.21 | | (3,697.90) | | | 138,685.31 | 138,685.31 | - | 0.00 |
| Mutual Fund | 2002 MF Clarkridge Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 115,564.00 | 115,564.00 | 0.00 | | | | 115,564.00 | 115,564.00 | - | 0.00 |
| Money Market | 2002 MF Clarkridge Villas Apts | 0.01 | 08/01/10 | 09/01/10 | | | 400.39 | | | | 400.39 | 400.39 | - | 0.00 |
| Money Market | 2002 MF Clarkridge Villas Apts | 0.01 | 08/01/10 | 09/01/10 | 92,652.31 | 92,652.31 | 65,138.22 | | | | 157,790.53 | 157,790.53 | - | 0.00 |
| | **2002 MF Clarkridge Villas Apts Total** | | | | 376,776.98 | 376,776.98 | 71,914.32 | (3,697.90) | 0.00 | 0.00 | 444,993.40 | 444,993.40 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF Hickory Trace Apts | 0.01 | 08/01/10 | 09/01/10 | 12,424.87 | 12,424.87 | 5,105.12 | | | | 17,529.99 | 17,529.99 | - | 0.00 |
| Mutual Fund | 2002 MF Hickory Trace Apts | 0.01 | 08/01/10 | 09/01/10 | 53,380.84 | 53,380.84 | 10,181.69 | | | | 63,562.53 | 63,562.53 | - | 0.00 |
| Money Market | 2002 MF Hickory Trace Apts | 0.01 | 08/01/10 | 09/01/10 | 91,442.59 | 91,442.59 | 1,318.69 | | | | 92,761.28 | 92,761.28 | - | 0.00 |
| Money Market | 2002 MF Hickory Trace Apts | 0.01 | 08/01/10 | 09/01/10 | | | 997.84 | | | | 997.84 | 997.84 | - | 0.00 |
| Mutual Fund | 2002 MF Hickory Trace Apts | 0.01 | 08/01/10 | 09/01/10 | 65,273.99 | 65,273.99 | 44,736.16 | | | | 110,010.15 | 110,010.15 | - | 0.00 |
| | **2002 MF Hickory Trace Apts Total** | | | | 222,522.29 | 222,522.29 | 62,339.50 | 0.00 | 0.00 | 0.00 | 284,861.79 | 284,861.79 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF Green Crest Apts | 0.01 | 08/01/10 | 09/01/10 | 123,262.83 | 123,262.83 | 99,021.21 | | | | 222,284.04 | 222,284.04 | - | 0.00 |
| Mutual Fund | 2002 MF Green Crest Apts | 0.01 | 08/01/10 | 09/01/10 | 135,820.84 | 135,820.84 | 10,134.65 | | | | 145,955.49 | 145,955.49 | - | 0.00 |
| Mutual Fund | 2002 MF Green Crest Apts | 0.01 | 08/01/10 | 09/01/10 | 0.38 | 0.38 | 0.00 | | | | 0.38 | 0.38 | - | 0.00 |
| Mutual Fund | 2002 MF Green Crest Apts | 0.01 | 08/01/10 | 09/01/10 | 1,581.25 | 1,581.25 | 0.03 | | | | 1,581.28 | 1,581.28 | - | 0.00 |
| | **2002 MF Green Crest Apts Total** | | | | 260,665.30 | 260,665.30 | 109,155.89 | 0.00 | 0.00 | 0.00 | 369,821.19 | 369,821.19 | 0.00 | 0.00 |
| Mutual Fund | 2002AB MF Ironwood Crossing | 0.01 | 08/01/10 | 09/01/10 | 205,093.29 | 205,093.29 | 98,626.54 | | | | 303,719.83 | 303,719.83 | - | 0.00 |
| Mutual Fund | 2002AB MF Ironwood Crossing | 0.01 | 08/01/10 | 09/01/10 | 23,928.20 | 23,928.20 | 14,126.93 | | | | 38,055.13 | 38,055.13 | - | 0.00 |
| | **2002AB MF Ironwood Crossing Total** | | | | 229,021.49 | 229,021.49 | 112,753.47 | 0.00 | 0.00 | 0.00 | 341,774.96 | 341,774.96 | 0.00 | 0.00 |
| Mutual Fund | 2002 MF Woodway Village | 0.01 | 08/01/10 | 09/01/10 | 261.15 | 261.15 | 2,400.00 | | | | 2,661.15 | 2,661.15 | - | 0.00 |
| Mutual Fund | 2002 MF Woodway Village | 0.01 | 08/01/10 | 09/01/10 | 277,199.21 | 277,199.21 | | (130,898.78) | | | 146,300.43 | 146,300.43 | - | 0.00 |
| | **2002 MF Woodway Village Total** | | | | 277,460.36 | 277,460.36 | 2,400.00 | (130,898.78) | 0.00 | 0.00 | 148,961.58 | 148,961.58 | 0.00 | 0.00 |
| Money Market | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 25,600.08 | 25,600.08 | | (9,888.91) | | | 15,711.17 | 15,711.17 | - | 0.00 |
| Mutual Fund | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 65,675.90 | 65,675.90 | | (39,309.37) | | | 26,366.53 | 26,366.53 | - | 0.00 |
| Mutual Fund | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 8,996.80 | 8,996.80 | | (6,399.92) | | | 2,596.88 | 2,596.88 | - | 0.00 |
| Money Market | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 7.96 | 7.96 | 0.00 | | | | 7.96 | 7.96 | - | 0.00 |
| Mutual Fund | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 7.96 | 7.96 | 0.00 | | | | 7.96 | 7.96 | - | 0.00 |
| Mutual Fund | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 57,036.95 | 57,036.95 | 41,324.82 | | | | 98,361.77 | 98,361.77 | - | 0.00 |
| Mutual Fund | 2003 AB MF Reading Road | 0.01 | 08/01/10 | 09/01/10 | 0.16 | 0.16 | 0.00 | | | | 0.16 | 0.16 | - | 0.00 |
| | **2003 AB MF Reading Road Total** | | | | 157,325.81 | 157,325.81 | 41,324.82 | (55,598.20) | 0.00 | 0.00 | 143,052.43 | 143,052.43 | 0.00 | 0.00 |
| Money Market | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 61,282.76 | 61,282.76 | 60,823.00 | | | | 122,105.76 | 122,105.76 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 398.66 | 398.66 | 0.00 | | | | 398.66 | 398.66 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 2,312.44 | 2,312.44 | 7,671.88 | | | | 9,984.32 | 9,984.32 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 150,169.73 | 150,169.73 | 4,078.60 | | | | 154,248.33 | 154,248.33 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 16,673.32 | 16,673.32 | 45,771.51 | | | | 62,444.83 | 62,444.83 | - | 0.00 |
| Money Market | 2003 AB MF North Vista Apts | 0.01 | 08/01/10 | 09/01/10 | 99,166.90 | 99,166.90 | | (42,499.99) | | | 56,666.91 | 56,666.91 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 289,858.36 | 289,858.36 | | (122,227.50) | | | 167,630.86 | 167,630.86 | - | 0.00 |
| Mutual Fund | 2003 AB MF North Vista Apts | 0.02 | 08/01/10 | 09/01/10 | 49,029.56 | 49,029.56 | | (34,634.75) | | | 14,394.81 | 14,394.81 | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2003 AB MF North Vista Apts Total** | | | | 668,891.73 | 668,891.73 | 118,344.99 | (199,362.24) | 0.00 | 0.00 | 587,874.48 | 587,874.48 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 84,955.98 | 84,955.98 | | (16,299.86) | | | 68,656.12 | 68,656.12 | - | 0.00 |
| Money Market | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 41,989.55 | 41,989.55 | 12,750.39 | | | | 54,739.94 | 54,739.94 | - | 0.00 |
| Money Market | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 95,726.52 | 95,726.52 | 46,224.91 | | | | 141,951.43 | 141,951.43 | - | 0.00 |
| Mutual Fund | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 32.69 | 32.69 | 0.01 | | | | 32.70 | 32.70 | - | 0.00 |
| Mutual Fund | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 10,642.04 | 10,642.04 | 31,439.67 | | | | 42,081.71 | 42,081.71 | - | 0.00 |
| Money Market | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 74,205.62 | 74,205.62 | | (24,999.70) | | | 49,205.92 | 49,205.92 | - | 0.00 |
| Mutual Fund | 2003 AB MF West Virginia Apts | 0.11 | 08/01/10 | 09/01/10 | 206,540.53 | 206,540.53 | | (88,890.57) | | | 117,649.96 | 117,649.96 | - | 0.00 |
| | **2003 AB MF West Virginia Apts Total** | | | | 514,092.93 | 514,092.93 | 90,414.98 | (130,190.13) | 0.00 | 0.00 | 474,317.78 | 474,317.78 | 0.00 | 0.00 |
| Mutual Fund | 2003AB MF Sphinx @ Murdeaux | 0.01 | 08/01/10 | 09/01/10 | 1,994.10 | 1,994.10 | 7,100.07 | | | | 9,094.17 | 9,094.17 | - | 0.00 |
| GNMA | 2003AB MF Sphinx @ Murdeaux | 5.10 | 12/30/04 | 12/15/42 | 14,319,335.34 | 14,319,335.34 | | | (40,987.33) | | 14,278,348.01 | 14,278,348.01 | - | 0.00 |
| Inv Agmt | 2003AB MF Sphinx @ Murdeaux | 2.51 | 05/13/03 | 12/01/42 | 368,569.90 | 368,569.90 | | (225,329.85) | | | 143,240.05 | 143,240.05 | - | 0.00 |
| | **2003AB MF Sphinx @ Murdeaux Total** | | | | 14,689,899.34 | 14,689,899.34 | 7,100.07 | (225,329.85) | (40,987.33) | 0.00 | 14,430,682.23 | 14,430,682.23 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB MF Primrose Houston | 0.01 | 08/01/10 | 09/01/10 | 99,828.00 | 99,828.00 | 0.04 | | | | 99,828.04 | 99,828.04 | - | 0.00 |
| Money Market | 2003 AB MF Primrose Houston | 0.01 | 08/01/10 | 09/01/10 | 14,161.74 | 14,161.74 | | (864.50) | | | 13,297.24 | 13,297.24 | - | 0.00 |
| | **2003 AB MF Primrose Houston Total** | | | | 113,989.74 | 113,989.74 | 0.04 | (864.50) | 0.00 | 0.00 | 113,125.28 | 113,125.28 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB MF Timber Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 64,854.91 | 64,854.91 | | (30,978.98) | | | 33,875.93 | 33,875.93 | - | 0.00 |
| Mutual Fund | 2003 AB MF Timber Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 87,110.83 | 87,110.83 | | (71,806.27) | | | 15,304.56 | 15,304.56 | - | 0.00 |
| Mutual Fund | 2003 AB MF Timber Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 21,804.27 | 21,804.27 | | (18,055.05) | | | 3,749.22 | 3,749.22 | - | 0.00 |
| | **2003 AB MF Timber Oaks Apts Total** | | | | 173,770.01 | 173,770.01 | 0.00 | (120,840.30) | 0.00 | 0.00 | 52,929.71 | 52,929.71 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB MF Ash Creek | 0.01 | 08/01/10 | 09/01/10 | 1,219.03 | 1,219.03 | 0.15 | | | | 1,219.18 | 1,219.18 | - | 0.00 |
| Mutual Fund | 2003 AB MF Ash Creek | 0.01 | 08/01/10 | 09/01/10 | 4,828.48 | 4,828.48 | 0.00 | | | | 4,828.48 | 4,828.48 | - | 0.00 |
| Mutual Fund | 2003 AB MF Ash Creek | 0.01 | 08/01/10 | 09/01/10 | 99,271.74 | 99,271.74 | 0.00 | | | | 99,271.74 | 99,271.74 | - | 0.00 |
| Money Market | 2003 AB MF Ash Creek | 0.01 | 08/01/10 | 09/01/10 | 13,200.11 | 13,200.11 | | (95.27) | | | 13,104.84 | 13,104.84 | - | 0.00 |
| | **2003 AB MF Ash Creek Total** | | | | 118,519.36 | 118,519.36 | 0.15 | (95.27) | 0.00 | 0.00 | 118,424.24 | 118,424.24 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB MF Peninsula | 0.01 | 08/01/10 | 09/01/10 | 2,203.88 | 2,203.88 | 0.00 | | | | 2,203.88 | 2,203.88 | - | 0.00 |
| Mutual Fund | 2003 AB MF Peninsula | 0.01 | 08/01/10 | 09/01/10 | 147,201.44 | 147,201.44 | 205,380.46 | | | | 352,581.90 | 352,581.90 | - | 0.00 |
| Mutual Fund | 2003 AB MF Peninsula | 0.01 | 08/01/10 | 09/01/10 | 12,770.19 | 12,770.19 | 1.48 | | | | 12,771.67 | 12,771.67 | - | 0.00 |
| | **2003 AB MF Peninsula Total** | | | | 162,175.51 | 162,175.51 | 205,381.94 | 0.00 | 0.00 | 0.00 | 367,557.45 | 367,557.45 | 0.00 | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 31.44 | 31.44 | 0.00 | | | | 31.44 | 31.44 | - | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 161,115.45 | 161,115.45 | 10,133.44 | | | | 171,248.89 | 171,248.89 | - | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 181.08 | 181.08 | 79,358.75 | | | | 79,539.83 | 79,539.83 | - | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 1,013.31 | 1,013.31 | 0.03 | | | | 1,013.34 | 1,013.34 | - | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 0.03 | 0.03 | 0.00 | | | | 0.03 | 0.03 | - | 0.00 |
| Money Market | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 37.66 | 37.66 | 0.00 | | | | 37.66 | 37.66 | - | 0.00 |
| Mutual Fund | 2003 A MF Evergreen @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 30,204.85 | 30,204.85 | | (14,771.21) | | | 15,433.64 | 15,433.64 | - | 0.00 |
| | **2003 A MF Evergreen @ Mesquite Total** | | | | 192,583.82 | 192,583.82 | 89,492.22 | (14,771.21) | 0.00 | 0.00 | 267,304.83 | 267,304.83 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB Arlington Villas | 0.01 | 08/01/10 | 09/01/10 | 108,489.24 | 108,489.24 | 23.86 | | | | 108,513.10 | 108,513.10 | - | 0.00 |
| Mutual Fund | 2003 AB Arlington Villas | 0.01 | 08/01/10 | 09/01/10 | 18,420.25 | 18,420.25 | 5,832.21 | | | | 24,252.46 | 24,252.46 | - | 0.00 |
| | **2003 AB Arlington Villas Total** | | | | 126,909.49 | 126,909.49 | 5,856.07 | 0.00 | 0.00 | 0.00 | 132,765.56 | 132,765.56 | 0.00 | 0.00 |
| Mutual Fund | 2003 AB Parkview Twnhms | 0.01 | 08/01/10 | 09/01/10 | 812.23 | 812.23 | 0.03 | | | | 812.26 | 812.26 | - | 0.00 |
| Mutual Fund | 2003 AB Parkview Twnhms | 0.01 | 08/01/10 | 09/01/10 | 74,162.93 | 74,162.93 | 13,792.12 | | | | 87,955.05 | 87,955.05 | - | 0.00 |
| Mutual Fund | 2003 AB Parkview Twnhms | 0.01 | 08/01/10 | 09/01/10 | 1.92 | 1.92 | 0.27 | | | | 2.19 | 2.19 | - | 0.00 |
| Mutual Fund | 2003 AB Parkview Twnhms | 0.01 | 08/01/10 | 09/01/10 | 163,053.41 | 163,053.41 | 104,348.25 | | | | 267,401.66 | 267,401.66 | - | 0.00 |
| Mutual Fund | 2003 AB Parkview Twnhms | 0.01 | 08/01/10 | 09/01/10 | 221,183.62 | 221,183.62 | 5.58 | | | | 221,189.20 | 221,189.20 | - | 0.00 |
| | **2003 AB Parkview Twnhms Total** | | | | 459,214.11 | 459,214.11 | 118,146.25 | 0.00 | 0.00 | 0.00 | 577,360.36 | 577,360.36 | 0.00 | 0.00 |
| Money Market | 2003 MF NHP-Asmara-Refunding | 0.01 | 08/01/10 | 09/01/10 | 379,513.88 | 379,513.88 | | (331,078.21) | | | 48,435.67 | 48,435.67 | - | 0.00 |
| Money Market | 2003 MF NHP-Asmara-Refunding | 0.01 | 08/01/10 | 09/01/10 | 63,811.03 | 63,811.03 | | (11,731.77) | | | 52,079.26 | 52,079.26 | - | 0.00 |
| Money Market | 2003 MF NHP-Asmara-Refunding | 0.01 | 08/01/10 | 09/01/10 | 682.74 | 682.74 | 0.00 | | | | 682.74 | 682.74 | - | 0.00 |
| Money Market | 2003 MF NHP-Asmara-Refunding | 0.01 | 08/01/10 | 09/01/10 | 91,951.88 | 91,951.88 | | (91,951.12) | | | 0.76 | 0.76 | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2003 MF NHP-Asmara-Refunding Total** | | | | 535,959.53 | 535,959.53 | 0.00 | (434,761.10) | 0.00 | 0.00 | 101,198.43 | 101,198.43 | 0.00 | 0.00 |
| Money Market | 2004 A&B Timber Ridge | 0.01 | 08/01/10 | 09/01/10 | 8,425.54 | 8,425.54 | 3,016.44 | | | | 11,441.98 | 11,441.98 | - | 0.00 |
| Money Market | 2004 A&B Timber Ridge | 0.01 | 08/01/10 | 09/01/10 | 55,955.45 | 55,955.45 | 595.33 | | | | 56,550.78 | 56,550.78 | - | 0.00 |
| | **2004 A&B Timber Ridge Total** | | | | 64,380.99 | 64,380.99 | 3,611.77 | 0.00 | 0.00 | 0.00 | 67,992.76 | 67,992.76 | 0.00 | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 41,660.07 | 41,660.07 | | (20,108.99) | | | 21,551.08 | 21,551.08 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 18,379.28 | 18,379.28 | 45,650.04 | | | | 64,029.32 | 64,029.32 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 6,598.95 | 6,598.95 | 0.17 | | | | 6,599.12 | 6,599.12 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 8.86 | 8.86 | 4.86 | | | | 13.72 | 13.72 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 81,706.03 | 81,706.03 | | (34,999.10) | | | 46,706.93 | 46,706.93 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 122,325.28 | 122,325.28 | 15,003.11 | | | | 137,328.39 | 137,328.39 | - | 0.00 |
| Money Market | 2004 A&B Century Park | 0.01 | 08/01/10 | 09/01/10 | 276,350.91 | 276,350.91 | | (127,067.49) | | | 149,283.42 | 149,283.42 | - | 0.00 |
| | **2004 A&B Century Park Total** | | | | 547,029.38 | 547,029.38 | 60,658.18 | (182,175.58) | 0.00 | 0.00 | 425,511.98 | 425,511.98 | 0.00 | 0.00 |
| Money Market | 2004 A&B MF Veterans Memorial | 0.01 | 08/01/10 | 09/01/10 | 0.17 | 0.17 | 0.00 | | | | 0.17 | 0.17 | - | 0.00 |
| Money Market | 2004 A&B MF Veterans Memorial | 0.01 | 08/01/10 | 09/01/10 | 24,718.07 | 24,718.07 | 18,538.13 | | | | 43,256.20 | 43,256.20 | - | 0.00 |
| Money Market | 2004 A&B MF Veterans Memorial | 0.01 | 08/01/10 | 09/01/10 | 43,494.86 | 43,494.86 | 12,461.51 | | | | 55,956.37 | 55,956.37 | - | 0.00 |
| Money Market | 2004 A&B MF Veterans Memorial | 0.01 | 08/01/10 | 09/01/10 | 0.73 | 0.73 | 0.01 | | | | 0.74 | 0.74 | - | 0.00 |
| Money Market | 2004 A&B MF Veterans Memorial | 0.01 | 08/01/10 | 09/01/10 | 0.91 | 0.91 | 0.00 | | | | 0.91 | 0.91 | - | 0.00 |
| | **2004 A&B MF Veterans Memorial Total** | | | | 68,214.74 | 68,214.74 | 30,999.65 | 0.00 | 0.00 | 0.00 | 99,214.39 | 99,214.39 | 0.00 | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 106,139.55 | 106,139.55 | 8,027.73 | | | | 114,167.28 | 114,167.28 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 1,403.68 | 1,403.68 | 0.03 | | | | 1,403.71 | 1,403.71 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 74,239.03 | 74,239.03 | 79.26 | | | | 74,318.29 | 74,318.29 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 20,282.15 | 20,282.15 | 0.51 | | | | 20,282.66 | 20,282.66 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 12,550.33 | 12,550.33 | 5,680.63 | | | | 18,230.96 | 18,230.96 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 52,815.68 | 52,815.68 | 48,082.14 | | | | 100,897.82 | 100,897.82 | - | 0.00 |
| Money Market | 2004 MF Rush Creek Apts | 0.01 | 08/01/10 | 09/01/10 | 325.73 | 325.73 | 0.00 | | | | 325.73 | 325.73 | - | 0.00 |
| | **2004 MF Rush Creek Apts Total** | | | | 267,756.15 | 267,756.15 | 61,870.30 | 0.00 | 0.00 | 0.00 | 329,626.45 | 329,626.45 | 0.00 | 0.00 |
| Money Market | 2004 MF Humble Parkway | 0.01 | 08/01/10 | 09/01/10 | 104,430.95 | 104,430.95 | 12,521.77 | | | | 116,952.72 | 116,952.72 | - | 0.00 |
| Money Market | 2004 MF Humble Parkway | 0.01 | 08/01/10 | 09/01/10 | 81,229.61 | 81,229.61 | 47,710.34 | | | | 128,939.95 | 128,939.95 | - | 0.00 |
| Money Market | 2004 MF Humble Parkway | 0.01 | 08/01/10 | 09/01/10 | 399,570.15 | 399,570.15 | | (215,317.28) | | | 184,252.87 | 184,252.87 | - | 0.00 |
| Money Market | 2004 MF Humble Parkway | 0.01 | 08/01/10 | 09/01/10 | 14,578.63 | 14,578.63 | | (9,211.95) | | | 5,366.68 | 5,366.68 | - | 0.00 |
| | **2004 MF Humble Parkway Total** | | | | 599,809.34 | 599,809.34 | 60,232.11 | (224,529.23) | 0.00 | 0.00 | 435,512.22 | 435,512.22 | 0.00 | 0.00 |
| Money Market | 2004 MF Chisholm Trail Apts | | | | 1,445.52 | 1,445.52 | | (1,445.52) | | | | | - | 0.00 |
| Money Market | 2004 MF Chisholm Trail Apts | 0.01 | 08/01/10 | 09/01/10 | 98,697.13 | 98,697.13 | | (56,988.23) | | | 41,708.90 | 41,708.90 | - | 0.00 |
| Money Market | 2004 MF Chisholm Trail Apts | 0.00 | 08/01/10 | 09/01/10 | 2,283.25 | 2,283.25 | 0.00 | | | | 2,283.25 | 2,283.25 | - | 0.00 |
| Money Market | 2004 MF Chisholm Trail Apts | 0.01 | 08/01/10 | 09/01/10 | 7,925.11 | 7,925.11 | 7,185.45 | | | | 15,110.56 | 15,110.56 | - | 0.00 |
| | **2004 MF Chisholm Trail Apts Total** | | | | 110,351.01 | 110,351.01 | 7,185.45 | (58,433.75) | 0.00 | 0.00 | 59,102.71 | 59,102.71 | 0.00 | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 73,515.19 | 73,515.19 | 47,409.59 | | | | 120,924.78 | 120,924.78 | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 19,728.70 | 19,728.70 | 10,578.92 | | | | 30,307.62 | 30,307.62 | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | | | | 2,173.29 | 2,173.29 | | (2,173.29) | | | | | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 7.72 | 7.72 | 7,834.29 | | | | 7,842.01 | 7,842.01 | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 82.38 | 82.38 | 79,046.49 | | | | 79,128.87 | 79,128.87 | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 1,164.08 | 1,164.08 | 0.00 | | | | 1,164.08 | 1,164.08 | - | 0.00 |
| Money Market | 2004 MF Everygreen at Plano | 0.01 | 08/01/10 | 09/01/10 | 232,806.42 | 232,806.42 | 18,212.16 | | | | 251,018.58 | 251,018.58 | - | 0.00 |
| | **2004 MF Everygreen at Plano Total** | | | | 329,477.78 | 329,477.78 | 163,081.45 | (2,173.29) | 0.00 | 0.00 | 490,385.94 | 490,385.94 | 0.00 | 0.00 |
| Money Market | 2004 MF Montgomery Pines Apts | 0.00 | 08/01/10 | 09/01/10 | 4,146.90 | 4,146.90 | 4,599.35 | | | | 8,746.25 | 8,746.25 | - | 0.00 |
| Money Market | 2004 MF Montgomery Pines Apts | 0.01 | 08/01/10 | 09/01/10 | 45,775.62 | 45,775.62 | 45,316.49 | | | | 91,092.11 | 91,092.11 | - | 0.00 |
| Money Market | 2004 MF Montgomery Pines Apts | 0.01 | 08/01/10 | 09/01/10 | 1,087.28 | 1,087.28 | 0.00 | | | | 1,087.28 | 1,087.28 | - | 0.00 |
| | **2004 MF Montgomery Pines Apts Total** | | | | 51,009.80 | 51,009.80 | 49,915.84 | 0.00 | 0.00 | 0.00 | 100,925.64 | 100,925.64 | 0.00 | 0.00 |
| Money Market | 2004 MF Bristol Apts | 0.01 | 08/01/10 | 09/01/10 | 392.77 | 392.77 | 0.00 | | | | 392.77 | 392.77 | - | 0.00 |
| Money Market | 2004 MF Bristol Apts | 0.01 | 08/01/10 | 09/01/10 | 0.06 | 0.06 | 0.01 | | | | 0.07 | 0.07 | - | 0.00 |
| Money Market | 2004 MF Bristol Apts | 0.01 | 08/01/10 | 09/01/10 | 5,584.57 | 5,584.57 | 4,954.77 | | | | 10,539.34 | 10,539.34 | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money Market | 2004 MF Bristol Apts | 0.01 | 08/01/10 | 09/01/10 | 51,092.98 | 51,092.98 | 25,872.75 | | | | 76,965.73 | 76,965.73 | - | 0.00 |
| | **2004 MF Bristol Apts Total** | | | | 57,070.38 | 57,070.38 | 30,827.53 | 0.00 | 0.00 | 0.00 | 87,897.91 | 87,897.91 | 0.00 | 0.00 |
| Money Market | 2004 MF Pinnacle Apts | 0.01 | 08/01/10 | 09/01/10 | 2,161.35 | 2,161.35 | | (1,969.63) | | | 191.72 | 191.72 | - | 0.00 |
| Money Market | 2004 MF Pinnacle Apts | 0.01 | 08/01/10 | 09/01/10 | 90,503.36 | 90,503.36 | | (69,975.06) | | | 20,528.30 | 20,528.30 | - | 0.00 |
| Money Market | 2004 MF Pinnacle Apts | 0.01 | 08/01/10 | 09/01/10 | 1,027.27 | 1,027.27 | 100,000.00 | | | | 101,027.27 | 101,027.27 | - | 0.00 |
| Money Market | 2004 MF Pinnacle Apts | 0.01 | 08/01/10 | 09/01/10 | 51.54 | 51.54 | 0.00 | | | | 51.54 | 51.54 | - | 0.00 |
| Money Market | 2004 MF Pinnacle Apts | 0.01 | 08/01/10 | 09/01/10 | 44.36 | 44.36 | 0.00 | | | | 44.36 | 44.36 | - | 0.00 |
| | **2004 MF Pinnacle Apts Total** | | | | 93,787.88 | 93,787.88 | 100,000.00 | (71,944.69) | 0.00 | 0.00 | 121,843.19 | 121,843.19 | 0.00 | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.00 | 08/01/10 | 09/01/10 | 65,738.98 | 65,738.98 | | (2,755.19) | | | 62,983.79 | 62,983.79 | - | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.01 | 08/01/10 | 09/01/10 | 76,131.16 | 76,131.16 | | (133.06) | | | 75,998.10 | 75,998.10 | - | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.01 | 08/01/10 | 09/01/10 | 1,186.80 | 1,186.80 | 0.00 | | | | 1,186.80 | 1,186.80 | - | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.01 | 08/01/10 | 09/01/10 | 123,417.44 | 123,417.44 | 67,334.04 | | | | 190,751.48 | 190,751.48 | - | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.01 | 08/01/10 | 09/01/10 | 39,706.24 | 39,706.24 | | (1,656.25) | | | 38,049.99 | 38,049.99 | - | 0.00 |
| Money Market | 2004 MF Tranquility Bay Apts | 0.01 | 08/01/10 | 09/01/10 | 8,146.05 | 8,146.05 | 133.06 | | | | 8,279.11 | 8,279.11 | - | 0.00 |
| | **2004 MF Tranquility Bay Apts Total** | | | | 314,326.67 | 314,326.67 | 67,467.10 | (4,544.50) | 0.00 | 0.00 | 377,249.27 | 377,249.27 | 0.00 | 0.00 |
| GNMA | 2004 MF Sphinx @ Delafield | 5.42 | 03/01/06 | 01/15/44 | 10,963,012.08 | 10,963,012.08 | | | (27,318.40) | | 10,935,693.68 | 10,935,693.68 | - | 0.00 |
| Inv Agmt | 2004 MF Sphinx @ Delafield | 3.00 | 11/22/04 | 01/20/44 | 237,120.40 | 237,120.40 | | (172,798.48) | | | 64,321.92 | 64,321.92 | - | 0.00 |
| Money Market | 2004 MF Sphinx @ Delafield | 0.01 | 08/01/10 | 09/01/10 | 8,849.66 | 8,849.66 | | (1,180.61) | | | 7,669.05 | 7,669.05 | - | 0.00 |
| | **2004 MF Sphinx @ Delafield Total** | | | | 11,208,982.14 | 11,208,982.14 | 0.00 | (173,979.09) | (27,318.40) | 0.00 | 11,007,684.65 | 11,007,684.65 | 0.00 | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 8,443.23 | 8,443.23 | 0.00 | | | | 8,443.23 | 8,443.23 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 160,246.67 | 160,246.67 | 36,259.86 | | | | 196,506.53 | 196,506.53 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 359.01 | 359.01 | 0.00 | | | | 359.01 | 359.01 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 189,099.53 | 189,099.53 | 10,927.26 | | | | 200,026.79 | 200,026.79 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 6,499.14 | 6,499.14 | 71.12 | | | | 6,570.26 | 6,570.26 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 54,117.21 | 54,117.21 | | (71.15) | | | 54,046.06 | 54,046.06 | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | | | | 299.20 | 299.20 | | (299.20) | | | | | - | 0.00 |
| Money Market | 2004 MF Churchill @ Pinnacle | 0.01 | 08/01/10 | 09/01/10 | 19,057.39 | 19,057.39 | 959.01 | | | | 20,016.40 | 20,016.40 | - | 0.00 |
| | **2004 MF Churchill @ Pinnacle Total** | | | | 438,121.38 | 438,121.38 | 48,217.25 | (370.35) | 0.00 | 0.00 | 485,968.28 | 485,968.28 | 0.00 | 0.00 |
| Money Market | 2004 A/B MF Post Oak East Apts | 0.01 | 08/01/10 | 09/01/10 | 3,043.43 | 3,043.43 | 0.00 | | | | 3,043.43 | 3,043.43 | - | 0.00 |
| Money Market | 2004 A/B MF Post Oak East Apts | 0.01 | 08/01/10 | 09/01/10 | 2.89 | 2.89 | 0.00 | | | | 2.89 | 2.89 | - | 0.00 |
| Money Market | 2004 A/B MF Post Oak East Apts | 0.01 | 08/01/10 | 09/01/10 | 6.01 | 6.01 | 0.00 | | | | 6.01 | 6.01 | - | 0.00 |
| | **2004 A/B MF Post Oak East Apts Total** | | | | 3,052.33 | 3,052.33 | 0.00 | 0.00 | 0.00 | 0.00 | 3,052.33 | 3,052.33 | 0.00 | 0.00 |
| Money Market | 2004 MF Village Fair | 0.01 | 08/01/10 | 09/01/10 | 109,962.53 | 109,962.53 | 12,313.40 | | | | 122,275.93 | 122,275.93 | - | 0.00 |
| Money Market | 2004 MF Village Fair | 0.01 | 08/01/10 | 09/01/10 | 98,247.40 | 98,247.40 | | (19,163.29) | | | 79,084.11 | 79,084.11 | - | 0.00 |
| Money Market | 2004 MF Village Fair | 0.01 | 08/01/10 | 09/01/10 | 106,752.48 | 106,752.48 | | (2,501.96) | | | 104,250.52 | 104,250.52 | - | 0.00 |
| Money Market | 2004 MF Village Fair | 0.01 | 08/01/10 | 09/01/10 | 21,994.60 | 21,994.60 | 6,053.13 | | | | 28,047.73 | 28,047.73 | - | 0.00 |
| | **2004 MF Village Fair Total** | | | | 336,957.01 | 336,957.01 | 18,366.53 | (21,665.25) | 0.00 | 0.00 | 333,658.29 | 333,658.29 | 0.00 | 0.00 |
| Money Market | 2005 MF Pecan Grove | 0.01 | 08/01/10 | 09/01/10 | 0.87 | 0.87 | 0.00 | | | | 0.87 | 0.87 | - | 0.00 |
| | **2005 MF Pecan Grove Total** | | | | 0.87 | 0.87 | 0.00 | 0.00 | 0.00 | 0.00 | 0.87 | 0.87 | 0.00 | 0.00 |
| Money Market | 2005 MF Prairie Oaks | 0.01 | 08/01/10 | 09/01/10 | 24,239.71 | 24,239.71 | 5,411.87 | | | | 29,651.58 | 29,651.58 | - | 0.00 |
| Money Market | 2005 MF Prairie Oaks | 0.01 | 08/01/10 | 09/01/10 | 100,068.89 | 100,068.89 | | (21,660.07) | | | 78,408.82 | 78,408.82 | - | 0.00 |
| Money Market | 2005 MF Prairie Oaks | 0.01 | 08/01/10 | 09/01/10 | 25,582.58 | 25,582.58 | 0.65 | | | | 25,583.23 | 25,583.23 | - | 0.00 |
| Money Market | 2005 MF Prairie Oaks | 0.01 | 08/01/10 | 09/01/10 | 86,820.71 | 86,820.71 | | (0.12) | | | 86,820.59 | 86,820.59 | - | 0.00 |
| Money Market | 2005 MF Prairie Oaks | 0.01 | 08/01/10 | 09/01/10 | 101,778.75 | 101,778.75 | 15,274.78 | | | | 117,053.53 | 117,053.53 | - | 0.00 |
| | **2005 MF Prairie Oaks Total** | | | | 338,490.64 | 338,490.64 | 20,687.30 | (21,660.19) | 0.00 | 0.00 | 337,517.75 | 337,517.75 | 0.00 | 0.00 |
| Money Market | 2005 MF Port Royal | 0.01 | 08/01/10 | 09/01/10 | 1.23 | 1.23 | 0.02 | | | | 1.25 | 1.25 | - | 0.00 |
| | **2005 MF Port Royal Total** | | | | 1.23 | 1.23 | 0.02 | 0.00 | 0.00 | 0.00 | 1.25 | 1.25 | 0.00 | 0.00 |
| Money Market | 2005 MF Mission Del Rio | 0.01 | 08/01/10 | 09/01/10 | 10,624.43 | 10,624.43 | | (10,569.66) | | | 54.77 | 54.77 | - | 0.00 |
| | **2005 MF Mission Del Rio Total** | | | | 10,624.43 | 10,624.43 | 0.00 | (10,569.66) | 0.00 | 0.00 | 54.77 | 54.77 | 0.00 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money Market | 2005 MF Atascocita Apts | 0.01 | 08/01/10 | 09/01/10 | 7,588.69 | 7,588.69 | 6,229.07 | | | | 13,817.76 | 13,817.76 | - | 0.00 |
| Money Market | 2005 MF Atascocita Apts | 0.01 | 08/01/10 | 09/01/10 | 2.06 | 2.06 | 0.23 | | | | 2.29 | 2.29 | - | 0.00 |
| Money Market | 2005 MF Atascocita Apts | 0.01 | 08/01/10 | 09/01/10 | 27.36 | 27.36 | 0.19 | | | | 27.55 | 27.55 | - | 0.00 |
| Money Market | 2005 MF Atascocita Apts | 0.01 | 08/01/10 | 09/01/10 | 10,773.07 | 10,773.07 | 30,786.25 | | | | 41,559.32 | 41,559.32 | - | 0.00 |
| | **2005 MF Atascocita Apts Total** | | | | 18,391.18 | 18,391.18 | 37,015.74 | 0.00 | 0.00 | 0.00 | 55,406.92 | 55,406.92 | 0.00 | 0.00 |
| Money Market | 2005 MF Tower Ridge | 0.01 | 08/01/10 | 09/01/10 | 11,486.02 | 11,486.02 | 135.83 | | | | 11,621.85 | 11,621.85 | - | 0.00 |
| Money Market | 2005 MF Tower Ridge | 0.01 | 08/01/10 | 09/01/10 | 916.50 | 916.50 | 0.02 | | | | 916.52 | 916.52 | - | 0.00 |
| Money Market | 2005 MF Tower Ridge | 0.01 | 08/01/10 | 09/01/10 | 86.21 | 86.21 | 0.00 | | | | 86.21 | 86.21 | - | 0.00 |
| Money Market | 2005 MF Tower Ridge | 0.01 | 08/01/10 | 09/01/10 | 1,826.66 | 1,826.66 | 0.00 | | | | 1,826.66 | 1,826.66 | - | 0.00 |
| | **2005 MF Tower Ridge Total** | | | | 14,315.39 | 14,315.39 | 135.85 | 0.00 | 0.00 | 0.00 | 14,451.24 | 14,451.24 | 0.00 | 0.00 |
| GNMA | 2005 MF Prairie Ranch | 4.99 | 03/28/06 | 01/15/45 | 11,830,864.49 | 11,830,864.49 | | | (30,365.82) | | 11,800,498.67 | 11,800,498.67 | - | 0.00 |
| Inv Agmt | 2005 MF Prairie Ranch | 3.25 | 12/06/05 | 01/20/45 | 311,039.84 | 311,039.84 | | (175,599.77) | | | 135,440.07 | 135,440.07 | - | 0.00 |
| Money Market | 2005 MF Prairie Ranch | 0.01 | 08/01/10 | 09/01/10 | 3,586.15 | 3,586.15 | 0.09 | | | | 3,586.24 | 3,586.24 | - | 0.00 |
| Money Market | 2005 MF Prairie Ranch | 0.01 | 08/01/10 | 09/01/10 | 10,159.32 | 10,159.32 | | (5,997.26) | | | 4,162.06 | 4,162.06 | - | 0.00 |
| | **2005 MF Prairie Ranch Total** | | | | 12,155,649.80 | 12,155,649.80 | 0.09 | (181,597.03) | (30,365.82) | 0.00 | 11,943,687.04 | 11,943,687.04 | 0.00 | 0.00 |
| Money Market | 2005 MF St. Augustine | 0.01 | 08/01/10 | 09/01/10 | 0.05 | 0.05 | 0.00 | | | | 0.05 | 0.05 | - | 0.00 |
| Money Market | 2005 MF St. Augustine | 0.01 | 08/01/10 | 09/01/10 | 19,937.33 | 19,937.33 | | (13,145.49) | | | 6,791.84 | 6,791.84 | - | 0.00 |
| Money Market | 2005 MF St. Augustine | 0.01 | 08/01/10 | 09/01/10 | 12,803.55 | 12,803.55 | | (2,016.70) | | | 10,786.85 | 10,786.85 | - | 0.00 |
| Money Market | 2005 MF St. Augustine | 0.01 | 08/01/10 | 09/01/10 | 12.50 | 12.50 | 0.00 | | | | 12.50 | 12.50 | - | 0.00 |
| | **2005 MF St. Augustine Total** | | | | 32,753.43 | 32,753.43 | 0.00 | (15,162.19) | 0.00 | 0.00 | 17,591.24 | 17,591.24 | 0.00 | 0.00 |
| Mutual Fund | 2005 MF Park Manor | 0.01 | 08/01/10 | 09/01/10 | 101.33 | 101.33 | 50,000.03 | | | | 50,101.36 | 50,101.36 | - | 0.00 |
| Money Market | 2005 MF Park Manor | 0.01 | 08/01/10 | 09/01/10 | 119.05 | 119.05 | 60,003.81 | | | | 60,122.86 | 60,122.86 | - | 0.00 |
| Money Market | 2005 MF Park Manor | 0.01 | 08/01/10 | 09/01/10 | 5,426.17 | 5,426.17 | | (5,249.20) | | | 176.97 | 176.97 | - | 0.00 |
| | **2005 MF Park Manor Total** | | | | 5,646.55 | 5,646.55 | 110,003.84 | (5,249.20) | 0.00 | 0.00 | 110,401.19 | 110,401.19 | 0.00 | 0.00 |
| Money Market | 2005 MF Pr Mockingbird | 0.01 | 08/01/10 | 09/01/10 | 21,522.65 | 21,522.65 | 3,022.32 | | | | 24,544.97 | 24,544.97 | - | 0.00 |
| Money Market | 2005 MF Pr Mockingbird | 0.01 | 08/01/10 | 09/01/10 | 83,792.41 | 83,792.41 | 1,315.18 | | | | 85,107.59 | 85,107.59 | - | 0.00 |
| Money Market | 2005 MF Pr Mockingbird | 0.01 | 08/01/10 | 09/01/10 | 102,795.54 | 102,795.54 | | (1.94) | | | 102,793.60 | 102,793.60 | - | 0.00 |
| Money Market | 2005 MF Pr Mockingbird | 0.01 | 08/01/10 | 09/01/10 | 32,024.94 | 32,024.94 | | (19,294.32) | | | 12,730.62 | 12,730.62 | - | 0.00 |
| | **2005 MF Pr Mockingbird Total** | | | | 240,135.54 | 240,135.54 | 4,337.50 | (19,296.26) | 0.00 | 0.00 | 225,176.78 | 225,176.78 | 0.00 | 0.00 |
| Money Market | 2005 MF Pl @ Chase Oaks | 0.01 | 08/01/10 | 09/01/10 | 411.19 | 411.19 | 0.00 | | | | 411.19 | 411.19 | - | 0.00 |
| Money Market | 2005 MF Pl @ Chase Oaks | 0.01 | 08/01/10 | 09/01/10 | 120.07 | 120.07 | 0.00 | | | | 120.07 | 120.07 | - | 0.00 |
| | **2005 MF Pl @ Chase Oaks Total** | | | | 531.26 | 531.26 | 0.00 | 0.00 | 0.00 | 0.00 | 531.26 | 531.26 | 0.00 | 0.00 |
| Money Market | 2005 MF Canal Place | 0.01 | 08/01/10 | 09/01/10 | 23,265.13 | 23,265.13 | 6,650.69 | | | | 29,915.82 | 29,915.82 | - | 0.00 |
| Money Market | 2005 MF Canal Place | 0.01 | 08/01/10 | 09/01/10 | 107,357.64 | 107,357.64 | 2.04 | | | | 107,359.68 | 107,359.68 | - | 0.00 |
| Money Market | 2005 MF Canal Place | 0.01 | 08/01/10 | 09/01/10 | 0.29 | 0.29 | 0.32 | | | | 0.61 | 0.61 | - | 0.00 |
| Money Market | 2005 MF Canal Place | 0.01 | 08/01/10 | 09/01/10 | 45,498.91 | 45,498.91 | 6,101.58 | | | | 51,600.49 | 51,600.49 | - | 0.00 |
| | **2005 MF Canal Place Total** | | | | 176,121.97 | 176,121.97 | 12,754.63 | 0.00 | 0.00 | 0.00 | 188,876.60 | 188,876.60 | 0.00 | 0.00 |
| Money Market | 2006 MF Coral Hills | 0.01 | 08/01/10 | 09/01/10 | 161,812.00 | 161,812.00 | | (104,611.77) | | | 57,200.23 | 57,200.23 | - | 0.00 |
| Money Market | 2006 MF Coral Hills | 0.01 | 08/01/10 | 09/01/10 | | | 504.95 | | | | 504.95 | 504.95 | - | 0.00 |
| | **2006 MF Coral Hills Total** | | | | 161,812.00 | 161,812.00 | 504.95 | (104,611.77) | 0.00 | 0.00 | 57,705.18 | 57,705.18 | 0.00 | 0.00 |
| Money Market | 2006 MF Harris Branch | 0.01 | 08/01/10 | 09/01/10 | 21,221.14 | 21,221.14 | 50,941.82 | | | | 72,162.96 | 72,162.96 | - | 0.00 |
| Money Market | 2006 MF Harris Branch | 0.01 | 08/01/10 | 09/01/10 | 4,734.98 | 4,734.98 | 0.12 | | | | 4,735.10 | 4,735.10 | - | 0.00 |
| Money Market | 2006 MF Harris Branch | 0.01 | 08/01/10 | 09/01/10 | 20,171.95 | 20,171.95 | 10,330.38 | | | | 30,502.33 | 30,502.33 | - | 0.00 |
| Money Market | 2006 MF Harris Branch | 0.01 | 08/01/10 | 09/01/10 | 3,557.08 | 3,557.08 | 0.09 | | | | 3,557.17 | 3,557.17 | - | 0.00 |
| Money Market | 2006 MF Harris Branch | 0.01 | 08/01/10 | 09/01/10 | 17,339.34 | 17,339.34 | 1.20 | | | | 17,340.54 | 17,340.54 | - | 0.00 |
| | **2006 MF Harris Branch Total** | | | | 67,024.49 | 67,024.49 | 61,273.61 | 0.00 | 0.00 | 0.00 | 128,298.10 | 128,298.10 | 0.00 | 0.00 |
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 31,391.60 | 31,391.60 | 24,626.54 | | | | 56,018.14 | 56,018.14 | - | 0.00 |
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 0.10 | 0.10 | 0.00 | | | | 0.10 | 0.10 | - | 0.00 |
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 240,469.23 | 240,469.23 | 6.06 | | | | 240,475.29 | 240,475.29 | - | 0.00 |
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 7,500.02 | 7,500.02 | 11,250.21 | | | | 18,750.23 | 18,750.23 | - | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 68,854.54 | 68,854.54 | 102,937.64 | | | | 171,792.18 | 171,792.18 | - | 0.00 |
| Money Market | 2006 MF Bella Vista | 0.01 | 08/01/10 | 09/01/10 | 5,355.05 | 5,355.05 | 1,662.66 | | | | 7,017.71 | 7,017.71 | - | 0.00 |
| | **2006 MF Bella Vista Total** | | | | 353,570.54 | 353,570.54 | 140,483.11 | 0.00 | 0.00 | 0.00 | 494,053.65 | 494,053.65 | 0.00 | 0.00 |
| Money Market | 2006 MF Village Park | 0.01 | 08/01/10 | 09/01/10 | 2,884.86 | 2,884.86 | 0.00 | | | | 2,884.86 | 2,884.86 | - | 0.00 |
| Money Market | 2006 MF Village Park | 0.01 | 08/01/10 | 09/01/10 | 365,950.03 | 365,950.03 | | (169,198.22) | | | 196,751.81 | 196,751.81 | - | 0.00 |
| | **2006 MF Village Park Total** | | | | 368,834.89 | 368,834.89 | 0.00 | (169,198.22) | 0.00 | 0.00 | 199,636.67 | 199,636.67 | 0.00 | 0.00 |
| Money Market | 2006 MF Oakmoor | 0.01 | 08/01/10 | 09/01/10 | 6,090.50 | 6,090.50 | 6,090.00 | | | | 12,180.50 | 12,180.50 | - | 0.00 |
| Money Market | 2006 MF Oakmoor | 0.01 | 08/01/10 | 09/01/10 | 82,679.30 | 82,679.30 | 12,399.99 | | | | 95,079.29 | 95,079.29 | - | 0.00 |
| Money Market | 2006 MF Oakmoor | 0.01 | 08/01/10 | 09/01/10 | 80,636.99 | 80,636.99 | | (0.03) | | | 80,636.96 | 80,636.96 | - | 0.00 |
| Money Market | 2006 MF Oakmoor | 0.01 | 08/01/10 | 09/01/10 | 158,183.86 | 158,183.86 | 77,134.56 | | | | 235,318.42 | 235,318.42 | - | 0.00 |
| | **2006 MF Oakmoor Total** | | | | 327,590.65 | 327,590.65 | 95,624.55 | (0.03) | 0.00 | 0.00 | 423,215.17 | 423,215.17 | 0.00 | 0.00 |
| Money Market | 2006 MF Hillcrest | 0.01 | 08/01/10 | 09/01/10 | 155,728.21 | 155,728.21 | 182,357.94 | | | | 338,086.15 | 338,086.15 | - | 0.00 |
| | **2006 MF Hillcrest Total** | | | | 155,728.21 | 155,728.21 | 182,357.94 | 0.00 | 0.00 | 0.00 | 338,086.15 | 338,086.15 | 0.00 | 0.00 |
| Money Market | 2006 MF Pleasant Village | 0.01 | 08/01/10 | 09/01/10 | 130,435.06 | 130,435.06 | 4,349.22 | | | | 134,784.28 | 134,784.28 | - | 0.00 |
| Mutual Fund | 2006 MF Pleasant Village | 0.01 | 08/01/10 | 09/01/10 | 22,293.33 | 22,293.33 | 14,128.26 | | | | 36,421.59 | 36,421.59 | - | 0.00 |
| Money Market | 2006 MF Pleasant Village | 0.01 | 08/01/10 | 09/01/10 | 142,409.04 | 142,409.04 | | (97,627.09) | | | 44,781.95 | 44,781.95 | - | 0.00 |
| Money Market | 2006 MF Pleasant Village | 0.01 | 08/01/10 | 09/01/10 | 36,295.12 | 36,295.12 | 0.00 | | | | 36,295.12 | 36,295.12 | - | 0.00 |
| | **2006 MF Pleasant Village Total** | | | | 331,432.55 | 331,432.55 | 18,477.48 | (97,627.09) | 0.00 | 0.00 | 252,282.94 | 252,282.94 | 0.00 | 0.00 |
| Money Market | 2006 MF Grove Village | 0.01 | 08/01/10 | 09/01/10 | 160,851.72 | 160,851.72 | | (16,635.40) | | | 144,216.32 | 144,216.32 | - | 0.00 |
| Money Market | 2006 MF Grove Village | 0.01 | 08/01/10 | 09/01/10 | 357,308.00 | 357,308.00 | | (184,404.91) | | | 172,903.09 | 172,903.09 | - | 0.00 |
| Money Market | 2006 MF Grove Village | 0.01 | 08/01/10 | 09/01/10 | 23,902.25 | 23,902.25 | 4,713.45 | | | | 28,615.70 | 28,615.70 | - | 0.00 |
| Money Market | 2006 MF Grove Village | 0.01 | 08/01/10 | 09/01/10 | 2.61 | 2.61 | 0.00 | | | | 2.61 | 2.61 | - | 0.00 |
| Money Market | 2006 MF Grove Village | 0.01 | 08/01/10 | 09/01/10 | 37,383.97 | 37,383.97 | 0.00 | | | | 37,383.97 | 37,383.97 | - | 0.00 |
| | **2006 MF Grove Village Total** | | | | 579,448.55 | 579,448.55 | 4,713.45 | (201,040.31) | 0.00 | 0.00 | 383,121.69 | 383,121.69 | 0.00 | 0.00 |
| Money Market | 2006 MF Red Hills | 0.01 | 08/01/10 | 09/01/10 | 24,082.49 | 24,082.49 | 3,610.23 | | | | 27,692.72 | 27,692.72 | - | 0.00 |
| Money Market | 2006 MF Red Hills | 0.01 | 08/01/10 | 09/01/10 | 39,642.00 | 39,642.00 | 11,549.04 | | | | 51,191.04 | 51,191.04 | - | 0.00 |
| Money Market | 2006 MF Red Hills | 0.01 | 08/01/10 | 09/01/10 | 7.24 | 7.24 | 0.61 | | | | 7.85 | 7.85 | - | 0.00 |
| | **2006 MF Red Hills Total** | | | | 63,731.73 | 63,731.73 | 15,159.88 | 0.00 | 0.00 | 0.00 | 78,891.61 | 78,891.61 | 0.00 | 0.00 |
| Money Market | 2006 MF Champion Crossing | 0.01 | 08/01/10 | 09/01/10 | 97.87 | 97.87 | 0.00 | | | | 97.87 | 97.87 | - | 0.00 |
| Money Market | 2006 MF Champion Crossing | 0.01 | 08/01/10 | 09/01/10 | 22,770.77 | 22,770.77 | 2,471.22 | | | | 25,241.99 | 25,241.99 | - | 0.00 |
| Money Market | 2006 MF Champion Crossing | 0.01 | 08/01/10 | 09/01/10 | 42,003.00 | 42,003.00 | 18,371.13 | | | | 60,374.13 | 60,374.13 | - | 0.00 |
| Money Market | 2006 MF Champion Crossing | 0.01 | 08/01/10 | 09/01/10 | 6.76 | 6.76 | 0.58 | | | | 7.34 | 7.34 | - | 0.00 |
| | **2006 MF Champion Crossing Total** | | | | 64,878.40 | 64,878.40 | 20,842.93 | 0.00 | 0.00 | 0.00 | 85,721.33 | 85,721.33 | 0.00 | 0.00 |
| Money Market | 2006 MF Stonehaven | 0.01 | 08/01/10 | 09/01/10 | 77,350.92 | 77,350.92 | 10,131.48 | | | | 87,482.40 | 87,482.40 | - | 0.00 |
| | **2006 MF Stonehaven Total** | | | | 77,350.92 | 77,350.92 | 10,131.48 | 0.00 | 0.00 | 0.00 | 87,482.40 | 87,482.40 | 0.00 | 0.00 |
| Money Market | 2006 MF Center Ridge | 0.01 | 08/01/10 | 09/01/10 | 79.60 | 79.60 | 0.00 | | | | 79.60 | 79.60 | - | 0.00 |
| Money Market | 2006 MF Center Ridge | 0.01 | 08/01/10 | 09/01/10 | 11,558.33 | 11,558.33 | 0.00 | | | | 11,558.33 | 11,558.33 | - | 0.00 |
| | **2006 MF Center Ridge Total** | | | | 11,637.93 | 11,637.93 | 0.00 | 0.00 | 0.00 | 0.00 | 11,637.93 | 11,637.93 | 0.00 | 0.00 |
| Money Market | 2006 MF Meadowlands | 0.01 | 08/01/10 | 09/01/10 | 462,946.34 | 462,946.34 | 0.00 | | | | 462,946.34 | 462,946.34 | - | 0.00 |
| Money Market | 2006 MF Meadowlands | 0.01 | 08/01/10 | 09/01/10 | 49,332.40 | 49,332.40 | 6,294.51 | | | | 55,626.91 | 55,626.91 | - | 0.00 |
| Money Market | 2006 MF Meadowlands | 0.01 | 08/01/10 | 09/01/10 | 98,742.88 | 98,742.88 | | (6.25) | | | 98,736.63 | 98,736.63 | - | 0.00 |
| Money Market | 2006 MF Meadowlands | 0.01 | 08/01/10 | 09/01/10 | 92,507.10 | 92,507.10 | 72,186.87 | | | | 164,693.97 | 164,693.97 | - | 0.00 |
| Money Market | 2006 MF Meadowlands | 0.01 | 08/01/10 | 09/01/10 | 55,302.63 | 55,302.63 | 12,153.99 | | | | 67,456.62 | 67,456.62 | - | 0.00 |
| | **2006 MF Meadowlands Total** | | | | 758,831.35 | 758,831.35 | 90,635.37 | (6.25) | 0.00 | 0.00 | 849,460.47 | 849,460.47 | 0.00 | 0.00 |
| Money Market | 2006 MF East Texas Pines | 0.01 | 08/01/10 | 09/01/10 | 16,768.04 | 16,768.04 | 6,187.93 | | | | 22,955.97 | 22,955.97 | - | 0.00 |
| Money Market | 2006 MF East Texas Pines | 0.01 | 08/01/10 | 09/01/10 | 146,358.07 | 146,358.07 | 73,206.94 | | | | 219,565.01 | 219,565.01 | - | 0.00 |
| Money Market | 2006 MF East Texas Pines | 0.01 | 08/01/10 | 09/01/10 | 183,833.36 | 183,833.36 | 215,750.01 | | | | 399,583.37 | 399,583.37 | - | 0.00 |
| Money Market | 2006 MF East Texas Pines | 0.01 | 08/01/10 | 09/01/10 | 125,091.52 | 125,091.52 | 15,628.15 | | | | 140,719.67 | 140,719.67 | - | 0.00 |
| | **2006 MF East Texas Pines Total** | | | | 472,050.99 | 472,050.99 | 310,773.03 | 0.00 | 0.00 | 0.00 | 782,824.02 | 782,824.02 | 0.00 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money Market | 2004 MF Churchill @ Pinnacle | | | | 3.11 | 3.11 | | (3.11) | | | | | - | 0.00 |
| | **2004 MF Churchill @ Pinnacle Total** | | | | 3.11 | 3.11 | 0.00 | (3.11) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Money Market | 2006 MF Villas at Henderson | 0.01 | 08/01/10 | 09/01/10 | 38,344.57 | 38,344.57 | 22,666.07 | | | | 61,010.64 | 61,010.64 | - | 0.00 |
| Money Market | 2006 MF Villas at Henderson | 0.01 | 08/01/10 | 09/01/10 | 19.00 | 19.00 | 0.00 | | | | 19.00 | 19.00 | - | 0.00 |
| Money Market | 2006 MF Villas at Henderson | | | | 8.38 | 8.38 | | (8.38) | | | | | - | 0.00 |
| Money Market | 2006 MF Villas at Henderson | 0.01 | 08/01/10 | 09/01/10 | 16,318.32 | 16,318.32 | 4,075.13 | | | | 20,393.45 | 20,393.45 | - | 0.00 |
| | **2006 MF Villas at Henderson Total** | | | | 54,690.27 | 54,690.27 | 26,741.20 | (8.38) | 0.00 | 0.00 | 81,423.09 | 81,423.09 | 0.00 | 0.00 |
| Money Market | 2006 MF Aspen Parks Apts | 0.00 | 08/01/10 | 09/01/10 | 196,082.77 | 196,082.77 | | (70,034.01) | | | 126,048.76 | 126,048.76 | - | 0.00 |
| Money Market | 2006 MF Aspen Parks Apts | 0.00 | 08/01/10 | 09/01/10 | 9,152.37 | 9,152.37 | 4,147.64 | | | | 13,300.01 | 13,300.01 | - | 0.00 |
| Money Market | 2006 MF Aspen Parks Apts | 0.00 | 08/01/10 | 09/01/10 | 111,229.06 | 111,229.06 | | (75,498.07) | | | 35,730.99 | 35,730.99 | - | 0.00 |
| | **2006 MF Aspen Parks Apts Total** | | | | 316,464.20 | 316,464.20 | 4,147.64 | (145,532.08) | 0.00 | 0.00 | 175,079.76 | 175,079.76 | 0.00 | 0.00 |
| Money Market | 2006 MF Idlewilde Apts | 0.01 | 08/01/10 | 09/01/10 | 20,923.37 | 20,923.37 | 4,990.03 | | | | 25,913.40 | 25,913.40 | - | 0.00 |
| Money Market | 2006 MF Idlewilde Apts | 0.01 | 08/01/10 | 09/01/10 | 89,500.81 | 89,500.81 | | (78,339.71) | | | 11,161.10 | 11,161.10 | - | 0.00 |
| Money Market | 2006 MF Idlewilde Apts | 0.01 | 08/01/10 | 09/01/10 | 0.44 | 0.44 | 0.54 | | | | 0.98 | 0.98 | - | 0.00 |
| Money Market | 2006 MF Idlewilde Apts | 0.01 | 08/01/10 | 09/01/10 | 0.79 | 0.79 | 0.00 | | | | 0.79 | 0.79 | - | 0.00 |
| | **2006 MF Idlewilde Apts Total** | | | | 110,425.41 | 110,425.41 | 4,990.57 | (78,339.71) | 0.00 | 0.00 | 37,076.27 | 37,076.27 | 0.00 | 0.00 |
| Money Market | 2007 MF Landcaster Apts | 0.01 | 08/01/10 | 09/01/10 | 19,823.79 | 19,823.79 | 4,990.03 | | | | 24,813.82 | 24,813.82 | - | 0.00 |
| Money Market | 2007 MF Landcaster Apts | 0.01 | 08/01/10 | 09/01/10 | 888.02 | 888.02 | 0.00 | | | | 888.02 | 888.02 | - | 0.00 |
| Money Market | 2007 MF Landcaster Apts | 0.01 | 08/01/10 | 09/01/10 | 89,500.81 | 89,500.81 | | (78,339.71) | | | 11,161.10 | 11,161.10 | - | 0.00 |
| Money Market | 2007 MF Landcaster Apts | 0.01 | 08/01/10 | 09/01/10 | 1,700.86 | 1,700.86 | 0.58 | | | | 1,701.44 | 1,701.44 | - | 0.00 |
| Money Market | 2007 MF Landcaster Apts | 0.01 | 08/01/10 | 09/01/10 | 0.79 | 0.79 | 0.00 | | | | 0.79 | 0.79 | - | 0.00 |
| | **2007 MF Landcaster Apts Total** | | | | 111,914.27 | 111,914.27 | 4,990.61 | (78,339.71) | 0.00 | 0.00 | 38,565.17 | 38,565.17 | 0.00 | 0.00 |
| Money Market | 2007 MF Park Place | 0.01 | 08/01/10 | 09/01/10 | 37,801.37 | 37,801.37 | 12,600.97 | | | | 50,402.34 | 50,402.34 | - | 0.00 |
| Money Market | 2007 MF Park Place | 0.01 | 08/01/10 | 09/01/10 | 822,079.74 | 822,079.74 | 21.00 | | | | 822,100.74 | 822,100.74 | - | 0.00 |
| Money Market | 2007 MF Park Place | 0.01 | 08/01/10 | 09/01/10 | 106,431.31 | 106,431.31 | 7,689.64 | | | | 114,120.95 | 114,120.95 | - | 0.00 |
| Money Market | 2007 MF Park Place | 0.01 | 08/01/10 | 09/01/10 | 40,450.28 | 40,450.28 | | (18,224.11) | | | 22,226.17 | 22,226.17 | - | 0.00 |
| | **2007 MF Park Place Total** | | | | 1,006,762.70 | 1,006,762.70 | 20,311.61 | (18,224.11) | 0.00 | 0.00 | 1,008,850.20 | 1,008,850.20 | 0.00 | 0.00 |
| Money Market | 2007 MF Terrace @ Cibolo | 0.01 | 08/01/10 | 09/01/10 | 70,395.85 | 70,395.85 | 10,057.87 | | | | 80,453.72 | 80,453.72 | - | 0.00 |
| Money Market | 2007 MF Terrace @ Cibolo | 0.01 | 08/01/10 | 09/01/10 | | | 0.02 | | | | 0.02 | 0.02 | - | 0.00 |
| Money Market | 2007 MF Terrace @ Cibolo | | | | 12,731.52 | 12,731.52 | | (12,731.52) | | | | | - | 0.00 |
| Money Market | 2007 MF Terrace @ Cibolo | 0.01 | 08/01/10 | 09/01/10 | 26,914.58 | 26,914.58 | 0.68 | | | | 26,915.26 | 26,915.26 | - | 0.00 |
| Money Market | 2007 MF Terrace @ Cibolo | 0.01 | 08/01/10 | 09/01/10 | 9,118.82 | 9,118.82 | 24,177.25 | | | | 33,296.07 | 33,296.07 | - | 0.00 |
| | **2007 MF Terrace @ Cibolo Total** | | | | 119,160.77 | 119,160.77 | 34,235.82 | (12,731.52) | 0.00 | 0.00 | 140,665.07 | 140,665.07 | 0.00 | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 96,152.87 | 96,152.87 | 32,602.05 | | | | 128,754.92 | 128,754.92 | - | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 16,000.12 | 16,000.12 | 9,600.57 | | | | 25,600.69 | 25,600.69 | - | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 0.33 | 0.33 | | (0.03) | | | 0.30 | 0.30 | - | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 1,161,688.23 | 1,161,688.23 | 29.97 | | | | 1,161,718.20 | 1,161,718.20 | - | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 86,757.79 | 86,757.79 | 0.00 | | | | 86,757.79 | 86,757.79 | - | 0.00 |
| Money Market | 2007 MF Santora Villas | 0.01 | 08/01/10 | 09/01/10 | 35,208.63 | 35,208.63 | | (12,833.13) | | | 22,375.50 | 22,375.50 | - | 0.00 |
| | **2007 MF Santora Villas Total** | | | | 1,395,807.97 | 1,395,807.97 | 42,232.59 | (12,833.16) | 0.00 | 0.00 | 1,425,207.40 | 1,425,207.40 | 0.00 | 0.00 |
| Money Market | 2007 A/B MF Villas @ Mesquite | | | | 25,236.86 | 25,236.86 | | (25,236.86) | | | | | - | 0.00 |
| GNMA | 2007 A/B MF Villas @ Mesquite | 5.17 | 04/29/10 | 07/20/47 | 16,856,669.35 | 16,856,669.35 | | | (36,631.55) | | 16,820,037.80 | 16,820,037.80 | - | 0.00 |
| GIC's | 2007 A/B MF Villas @ Mesquite | 4.78 | 08/23/07 | 07/20/47 | 349,793.39 | 349,793.39 | | (231,557.06) | | | 118,236.33 | 118,236.33 | - | 0.00 |
| Money Market | 2007 A/B MF Villas @ Mesquite | 0.01 | 08/01/10 | 09/01/10 | 11,206.66 | 11,206.66 | | (5,730.11) | | | 5,476.55 | 5,476.55 | - | 0.00 |
| | **2007 A/B MF Villas @ Mesquite Total** | | | | 17,242,906.26 | 17,242,906.26 | 0.00 | (262,524.03) | (36,631.55) | 0.00 | 16,943,750.68 | 16,943,750.68 | 0.00 | 0.00 |
| Money Market | 2007 MF Summit Point | 0.00 | 08/01/10 | 09/01/10 | 10,000.17 | 10,000.17 | 83,650.97 | | | | 93,651.14 | 93,651.14 | - | 0.00 |
| GNMA | 2007 MF Summit Point | 5.32 | 07/30/07 | 10/15/10 | 11,674,248.00 | 11,674,248.00 | 0.00 | | | | 11,674,248.00 | 11,674,248.00 | - | 0.00 |
| Money Market | 2007 MF Summit Point | 0.00 | 08/01/10 | 09/01/10 | 338,736.28 | 338,736.28 | | (286,980.47) | | | 51,755.81 | 51,755.81 | - | 0.00 |
| | **2007 MF Summit Point Total** | | | | 12,022,984.45 | 12,022,984.45 | 83,650.97 | (286,980.47) | 0.00 | 0.00 | 11,819,654.95 | 11,819,654.95 | 0.00 | 0.00 |

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money Market | 2007 MF Costa Rialto | 0.01 | 08/01/10 | 09/01/10 | 0.01 | 0.01 | 0.00 | | | | 0.01 | 0.01 | - | 0.00 |
| Money Market | 2007 MF Costa Rialto | 0.01 | 08/01/10 | 09/01/10 | 0.09 | 0.09 | 0.03 | | | | 0.12 | 0.12 | - | 0.00 |
| | **2007 MF Costa Rialto Total** | | | | 0.10 | 0.10 | 0.03 | 0.00 | 0.00 | 0.00 | 0.13 | 0.13 | 0.00 | 0.00 |
| Money Market | 2007 MF Windshire Apts | 0.01 | 08/01/10 | 09/01/10 | 28,648.68 | 28,648.68 | | (20,913.02) | | | 7,735.66 | 7,735.66 | - | 0.00 |
| Money Market | 2007 MF Windshire Apts | 0.01 | 08/01/10 | 09/01/10 | 4.45 | 4.45 | 0.00 | | | | 4.45 | 4.45 | - | 0.00 |
| Money Market | 2007 MF Windshire Apts | 0.01 | 08/01/10 | 09/01/10 | 76,556.60 | 76,556.60 | 26,384.55 | | | | 102,941.15 | 102,941.15 | - | 0.00 |
| Money Market | 2007 MF Windshire Apts | 0.01 | 08/01/10 | 09/01/10 | 565.86 | 565.86 | 0.53 | | | | 566.39 | 566.39 | - | 0.00 |
| | **2007 MF Windshire Apts Total** | | | | 105,775.59 | 105,775.59 | 26,385.08 | (20,913.02) | 0.00 | 0.00 | 111,247.65 | 111,247.65 | 0.00 | 0.00 |
| Money Market | 2007 MF Residences @ Onion Crk | | | | 156,495.29 | 156,495.29 | | (156,495.29) | | | | | - | 0.00 |
| Money Market | 2007 MF Residences @ Onion Crk | | | | 16,583.83 | 16,583.83 | | (16,583.83) | | | | | - | 0.00 |
| Money Market | 2007 MF Residences @ Onion Crk | | | | 147.91 | 147.91 | | (147.91) | | | | | - | 0.00 |
| | **2007 MF Residences @ Onion Crk Total** | | | | 173,227.03 | 173,227.03 | 0.00 | (173,227.03) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Money Market | 2008 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 17,337.93 | 17,337.93 | | (17,266.98) | | | 70.95 | 70.95 | - | 0.00 |
| Money Market | 2008 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | | | 0.03 | | | | 0.03 | 0.03 | - | 0.00 |
| Money Market | 2008 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 6,751.08 | 6,751.08 | | (6,751.00) | | | 0.08 | 0.08 | - | 0.00 |
| Money Market | 2008 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 632.88 | 632.88 | | (330.82) | | | 302.06 | 302.06 | - | 0.00 |
| Money Market | 2008 MF West Oaks Apts | 0.01 | 08/01/10 | 09/01/10 | 3,363.51 | 3,363.51 | 1,601.67 | | | | 4,965.18 | 4,965.18 | - | 0.00 |
| | **2008 MF West Oaks Apts Total** | | | | 28,085.40 | 28,085.40 | 1,601.70 | (24,348.80) | 0.00 | 0.00 | 5,338.30 | 5,338.30 | 0.00 | 0.00 |
| Money Market | 2008 MF Costa Ibiza Apts | 0.01 | 08/01/10 | 09/01/10 | 1.35 | 1.35 | 0.34 | | | | 1.69 | 1.69 | - | 0.00 |
| Money Market | 2008 MF Costa Ibiza Apts | | | | 0.01 | 0.01 | | (0.01) | | | | | - | 0.00 |
| Money Market | 2008 MF Costa Ibiza Apts | 0.01 | 08/01/10 | 09/01/10 | 2,937.73 | 2,937.73 | | (2,642.08) | | | 295.65 | 295.65 | - | 0.00 |
| Money Market | 2008 MF Costa Ibiza Apts | 0.01 | 08/01/10 | 09/01/10 | 45,380.39 | 45,380.39 | 24.57 | | | | 45,404.96 | 45,404.96 | - | 0.00 |
| Money Market | 2008 MF Costa Ibiza Apts | 0.01 | 08/01/10 | 09/01/10 | 87,843.57 | 87,843.57 | 2,972.37 | | | | 90,815.94 | 90,815.94 | - | 0.00 |
| | **2008 MF Costa Ibiza Apts Total** | | | | 136,163.05 | 136,163.05 | 2,997.28 | (2,642.09) | 0.00 | 0.00 | 136,518.24 | 136,518.24 | 0.00 | 0.00 |
| Money Market | 2008 MF Addison Park Apts | 0.01 | 08/01/10 | 09/01/10 | 2.65 | 2.65 | 0.01 | | | | 2.66 | 2.66 | - | 0.00 |
| Mutual Fund | 2008 MF Addison Park Apts | 0.01 | 08/01/10 | 09/01/10 | 58,658.75 | 58,658.75 | 54,294.30 | | | | 112,953.05 | 112,953.05 | - | 0.00 |
| Money Market | 2008 MF Addison Park Apts | 0.01 | 08/01/10 | 09/01/10 | 478.28 | 478.28 | 8,065.00 | | | | 8,543.28 | 8,543.28 | - | 0.00 |
| | **2008 MF Addison Park Apts Total** | | | | 59,139.68 | 59,139.68 | 62,359.31 | 0.00 | 0.00 | 0.00 | 121,498.99 | 121,498.99 | 0.00 | 0.00 |
| Money Market | 2008 MF Alta Cullen Ref | 0.01 | 08/01/10 | 09/01/10 | 0.49 | 0.49 | 0.00 | | | | 0.49 | 0.49 | - | 0.00 |
| Money Market | 2008 MF Alta Cullen Ref | 0.01 | 08/01/10 | 09/01/10 | 42,669.30 | 42,669.30 | 6,750.02 | | | | 49,419.32 | 49,419.32 | - | 0.00 |
| | **2008 MF Alta Cullen Ref Total** | | | | 42,669.79 | 42,669.79 | 6,750.02 | 0.00 | 0.00 | 0.00 | 49,419.81 | 49,419.81 | 0.00 | 0.00 |
| Money Market | 2009 MF Costa Mariposa | 0.01 | 08/01/10 | 09/01/10 | 41,133.49 | 41,133.49 | | (20,119.00) | | | 21,014.49 | 21,014.49 | - | 0.00 |
| GIC's | 2009 MF Costa Mariposa | 0.68 | 06/25/09 | 11/01/10 | 177.22 | 177.22 | 0.30 | | | | 177.52 | 177.52 | - | 0.00 |
| Money Market | 2009 MF Costa Mariposa | 0.01 | 08/01/10 | 09/01/10 | | | 0.02 | | | | 0.02 | 0.02 | - | 0.00 |
| Money Market | 2009 MF Costa Mariposa | 0.01 | 08/01/10 | 09/01/10 | 21,978.89 | 21,978.89 | | (21,978.83) | | | 0.06 | 0.06 | - | 0.00 |
| GIC's | 2009 MF Costa Mariposa | 0.68 | 06/25/09 | 11/01/10 | 3,952.42 | 3,952.42 | | (3,179.61) | | | 772.81 | 772.81 | - | 0.00 |
| | **2009 MF Costa Mariposa Total** | | | | 67,242.02 | 67,242.02 | 0.32 | (45,277.44) | 0.00 | 0.00 | 21,964.90 | 21,964.90 | 0.00 | 0.00 |
| Money Market | 2009 MF Woodmont Apts | 0.01 | 08/01/10 | 09/01/10 | 2,522,525.69 | 2,522,525.69 | | (2,522,525.52) | | | 0.17 | 0.17 | - | 0.00 |
| Money Market | 2009 MF Woodmont Apts | | | | 66,742.06 | 66,742.06 | | (66,742.06) | | | | | - | 0.00 |
| Money Market | 2009 MF Woodmont Apts | 0.01 | 08/01/10 | 09/01/10 | 763,146.31 | 763,146.31 | 58,965.86 | | | | 822,112.17 | 822,112.17 | - | 0.00 |
| | **2009 MF Woodmont Apts Total** | | | | 3,352,414.06 | 3,352,414.06 | 58,965.86 | (2,589,267.58) | 0.00 | 0.00 | 822,112.34 | 822,112.34 | 0.00 | 0.00 |
| | **Total Multi-Family Investment Summary** | | | | 95,579,822.21 | 95,579,822.21 | 5,942,327.68 | (8,035,661.08) | (135,303.10) | 0.00 | 93,351,185.71 | 93,351,185.71 | 0.00 | 0.00 |

## Texas Department of Housing and Community Affairs
## General Fund Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 05/31/10 | Ending Market Value 05/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 1,109,428.66 | 1,109,428.66 | 334,585.00 | | | | 1,444,013.66 | 1,444,013.66 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 225,846.90 | 225,846.90 | 103.80 | | | | 225,950.70 | 225,950.70 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | | | 713,849.04 | | | | 713,849.04 | 713,849.04 | - | 0.00 |
| Repo Agmt | General Fund | | | | 63,709.96 | 63,709.96 | | (63,709.96) | | | | | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 760,356.07 | 760,356.07 | | (738,398.86) | | | 21,957.21 | 21,957.21 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 501,890.45 | 501,890.45 | 224.60 | | | | 502,115.05 | 502,115.05 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 10,891.23 | 10,891.23 | | (10,841.23) | | | 50.00 | 50.00 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 483,498.96 | 483,498.96 | | (482,433.46) | | | 1,065.50 | 1,065.50 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 216,897.34 | 216,897.34 | | (61,242.92) | | | 155,654.42 | 155,654.42 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 345,234.53 | 345,234.53 | 158.63 | | | | 345,393.16 | 345,393.16 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 427,928.04 | 427,928.04 | 196.62 | | | | 428,124.66 | 428,124.66 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 1,454,865.11 | 1,454,865.11 | 41,346.27 | | | | 1,496,211.38 | 1,496,211.38 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 257,990.37 | 257,990.37 | | (59,264.64) | | | 198,725.73 | 198,725.73 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 5,000,000.00 | 5,000,000.00 | 0.00 | | | | 5,000,000.00 | 5,000,000.00 | - | 0.00 |
| Repo Agmt | General Fund | 0.20 | 08/31/10 | 09/01/10 | 57,451.97 | 57,451.97 | 679,382.15 | | | | 736,834.12 | 736,834.12 | - | 0.00 |
| | **General Fund Total** | | | | 10,915,989.59 | 10,915,989.59 | 1,769,846.11 | (1,415,891.07) | 0.00 | 0.00 | 11,269,944.63 | 11,269,944.63 | 0.00 | 0.00 |
| | **Total General Fund Investment Summary** | | | | 10,915,989.59 | 10,915,989.59 | 1,769,846.11 | (1,415,891.07) | 0.00 | 0.00 | 11,269,944.63 | 11,269,944.63 | 0.00 | 0.00 |

## Texas Department of Housing and Community Affairs
## Housing Trust Fund Investment Summary
## For Period Ending August 31, 2010

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | Housing Assistance Fund | 0.20 | 08/31/10 | 09/01/10 | 246,217.36 | 246,217.36 | 6,441.75 | | | | 252,659.11 | 252,659.11 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 250,000.00 | 250,000.00 | 0.00 | | | | 250,000.00 | 250,000.00 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 33,384.59 | 33,384.59 | 0.00 | | | | 33,384.59 | 33,384.59 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 185,254.74 | 185,254.74 | 18,660.36 | | | | 203,915.10 | 203,915.10 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 521,607.89 | 521,607.89 | 1,250.23 | | | | 522,858.12 | 522,858.12 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 131,616.39 | 131,616.39 | 3,199.62 | | | | 134,816.01 | 134,816.01 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 97,226.04 | 97,226.04 | 9.82 | | | | 97,235.86 | 97,235.86 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 205,031.96 | 205,031.96 | 48,120.74 | | | | 253,152.70 | 253,152.70 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 91,207.65 | 91,207.65 | 7.34 | | | | 91,214.99 | 91,214.99 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 265,425.45 | 265,425.45 | | (14,331.30) | | | 251,094.15 | 251,094.15 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 515,153.39 | 515,153.39 | | (114,248.69) | | | 400,904.70 | 400,904.70 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 107,623.40 | 107,623.40 | | (87,172.40) | | | 20,451.00 | 20,451.00 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 825,656.89 | 825,656.89 | | (63,695.08) | | | 761,961.81 | 761,961.81 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 2,031,535.82 | 2,031,535.82 | 30,457.48 | | | | 2,061,993.30 | 2,061,993.30 | - | 0.00 |
| Repo Agmt | Housing Trust Fund | 0.20 | 08/31/10 | 09/01/10 | 311,419.77 | 311,419.77 | | (33,422.29) | | | 277,997.48 | 277,997.48 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.20 | 08/31/10 | 09/01/10 | 526,843.40 | 526,843.40 | 91,843.72 | | | | 618,687.12 | 618,687.12 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.20 | 08/31/10 | 09/01/10 | 574,130.71 | 574,130.71 | 132,038.50 | | | | 706,169.21 | 706,169.21 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.20 | 08/31/10 | 09/01/10 | 5,905,155.92 | 5,905,155.92 | | (3,012,174.25) | | | 2,892,981.67 | 2,892,981.67 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.20 | 08/31/10 | 09/01/10 | 834,000.00 | 834,000.00 | 0.00 | | | | 834,000.00 | 834,000.00 | - | 0.00 |
| Repo Agmt | General Revenue Appn | 0.20 | 08/31/10 | 09/01/10 | 1,571,904.00 | 1,571,904.00 | | (92,188.62) | | | 1,479,715.38 | 1,479,715.38 | - | 0.00 |
| Repo Agmt | Disaster Recover - GR | 0.20 | 08/31/10 | 09/01/10 | 177,956.54 | 177,956.54 | | (506.40) | | | 177,450.14 | 177,450.14 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.20 | 08/31/10 | 09/01/10 | 960,000.00 | 960,000.00 | | (414,000.00) | | | 546,000.00 | 546,000.00 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.20 | 08/31/10 | 09/01/10 | 440,000.00 | 440,000.00 | | (20,000.00) | | | 420,000.00 | 420,000.00 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.20 | 08/31/10 | 09/01/10 | 735,252.00 | 735,252.00 | | (20,233.00) | | | 715,019.00 | 715,019.00 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.20 | 08/31/10 | 09/01/10 | 894,609.38 | 894,609.38 | | (6,000.00) | | | 888,609.38 | 888,609.38 | - | 0.00 |
| Repo Agmt | Housing Trust Fund-GR | 0.20 | 08/31/10 | 09/01/10 | | | 1,900,000.00 | | | | 1,900,000.00 | 1,900,000.00 | - | 0.00 |
| Repo Agmt | Boostrap -GR | 0.20 | 08/31/10 | 09/01/10 | 15,322.05 | 15,322.05 | | (475.56) | | | 14,846.49 | 14,846.49 | - | 0.00 |
| Repo Agmt | Boostrap -GR | 0.20 | 08/31/10 | 09/01/10 | 322,556.70 | 322,556.70 | | (61,480.00) | | | 261,076.70 | 261,076.70 | - | 0.00 |
| Repo Agmt | Boostrap -GR | 0.20 | 08/31/10 | 09/01/10 | 967,914.36 | 967,914.36 | | (4,799.84) | | | 963,114.52 | 963,114.52 | - | 0.00 |
| Repo Agmt | Boostrap -GR | 0.20 | 08/31/10 | 09/01/10 | 3,924,484.53 | 3,924,484.53 | | (790,890.98) | | | 3,133,593.55 | 3,133,593.55 | - | 0.00 |
| | **Housing Trust Fund Total** | | | | 23,668,490.93 | 23,668,490.93 | 2,232,029.56 | (4,735,618.41) | 0.00 | 0.00 | 21,164,902.08 | 21,164,902.08 | 0.00 | 0.00 |
| | **Total Housing Trust Fund Investment Summary** | | | | 23,668,490.93 | 23,668,490.93 | 2,232,029.56 | (4,735,618.41) | 0.00 | 0.00 | 21,164,902.08 | 21,164,902.08 | 0.00 | 0.00 |

**Texas Department of Housing and Community Affairs**
**Administration Investment Summary**
**For Period Ending August 31, 2010**

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | Administration | 0.20 | 08/31/10 | 09/01/10 | 158,817.23 | 158,817.23 | 34.96 | | | | 158,852.19 | 158,852.19 | - | 0.00 |
| | **Administration Total** | | | | 158,817.23 | 158,817.23 | 34.96 | 0.00 | 0.00 | 0.00 | 158,852.19 | 158,852.19 | 0.00 | 0.00 |
| | **Total Administration Investment Summary** | | | | 158,817.23 | 158,817.23 | 34.96 | 0.00 | 0.00 | 0.00 | 158,852.19 | 158,852.19 | 0.00 | 0.00 |

**Texas Department of Housing and Community Affairs**
**Compliance Investment Summary**
**For Period Ending August 31, 2010**

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | RTC | 0.20 | 08/31/10 | 09/01/10 | 112,923.67 | 112,923.67 | 16.14 | | | | 112,939.81 | 112,939.81 | - | 0.00 |
| Repo Agmt | Multi Family | 0.20 | 08/31/10 | 09/01/10 | 254,575.07 | 254,575.07 | 74.09 | | | | 254,649.16 | 254,649.16 | - | 0.00 |
| Repo Agmt | Multi Family | 0.20 | 08/31/10 | 09/01/10 | 767,521.04 | 767,521.04 | 111,634.97 | | | | 879,156.01 | 879,156.01 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.20 | 08/31/10 | 09/01/10 | 2,530,311.78 | 2,530,311.78 | 464,692.56 | | | | 2,995,004.34 | 2,995,004.34 | - | 0.00 |
| | **Compliance Total** | | | | 3,665,331.56 | 3,665,331.56 | 576,417.76 | 0.00 | 0.00 | 0.00 | 4,241,749.32 | 4,241,749.32 | 0.00 | 0.00 |
| | **Total Compliance Investment Summary** | | | | 3,665,331.56 | 3,665,331.56 | 576,417.76 | 0.00 | 0.00 | 0.00 | 4,241,749.32 | 4,241,749.32 | 0.00 | 0.00 |

**Texas Department of Housing and Community Affairs**
**Housing Initiatives Investment Summary**
**For Period Ending August 31, 2010**

| Investment Type | Issue | Current Interest Rate | Current Purchase Date | Current Maturity Date | Beginning Carrying Value 05/31/10 | Beginning Market Value 05/31/10 | Accretions/ Purchases | Amortizations/ Sales | Maturities | Transfers | Ending Carrying Value 08/31/10 | Ending Market Value 08/31/10 | Change In Market Value | Recognized Gain |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repo Agmt | S/F Interim Construction | 0.20 | 08/31/10 | 09/01/10 | 537,130.13 | 537,130.13 | 189.80 | | | | 537,319.93 | 537,319.93 | - | 0.00 |
| Repo Agmt | S/F Interim Construction | 0.20 | 08/31/10 | 09/01/10 | 197.66 | 197.66 | 0.00 | | | | 197.66 | 197.66 | - | 0.00 |
| Repo Agmt | S/F Interim Construction | 0.20 | 08/31/10 | 09/01/10 | 7.26 | 7.26 | 0.00 | | | | 7.26 | 7.26 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.20 | 08/31/10 | 09/01/10 | 511,891.44 | 511,891.44 | | (94,110.53) | | | 417,780.91 | 417,780.91 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.20 | 08/31/10 | 09/01/10 | 6,221,570.08 | 6,221,570.08 | 2,167,235.45 | | | | 8,388,805.53 | 8,388,805.53 | - | 0.00 |
| Repo Agmt | Low Income Tax Credit Prog. | 0.20 | 08/31/10 | 09/01/10 | 358,410.43 | 358,410.43 | 21,490.23 | | | | 379,900.66 | 379,900.66 | - | 0.00 |
| | **Low Income Tax Credit Prog. Total** | | | | 7,629,207.00 | 7,629,207.00 | 2,188,915.48 | (94,110.53) | 0.00 | 0.00 | 9,724,011.95 | 9,724,011.95 | 0.00 | 0.00 |
| | **Total Housing Initiatives Investment Summary** | | | | 7,629,207.00 | 7,629,207.00 | 2,188,915.48 | (94,110.53) | 0.00 | 0.00 | 9,724,011.95 | 9,724,011.95 | 0.00 | 0.00 |
| | **Total Investment Summary** | | | | 1,708,408,792.18 | 1,786,946,709.36 | 98,168,552.15 | (140,343,463.60) | (37,554,622.40) | (0.00) | 1,628,679,258.33 | 1,718,850,188.88 | 11,633,013.37 | 3,660,397.31 |

**BOND FINANCE DIVISION**

**BOARD ACTION REQUEST**
**November 10, 2010**

## Requested Action

Presentation, Discussion and Possible Action on Resolution 11-007 approving the First Amendment to the Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture which includes modifications to the New Issue Bond Program.

## Background

As part of the United States Department of the Treasury's comprehensive plan to stabilize the U.S. housing market, on October 19, 2009 the Homeowner Affordability and Stability Plan was announced for state and local housing finance agencies (HFAs) that will help support low mortgage rates and expand resources for low and middle income borrowers to purchase or rent homes that are affordable over the long term. As part of this initiative, the New Issue Bond Program (NIBP) was created to support new lending by HFAs with the issuance of bonds at below market rates.

At the November 9, 2009 Board Meeting, Resolution 10-006 was approved authorizing the issuance of $300 million in principal amount of new money, taxable residential mortgage revenue bonds which were placed with Fannie Mae and Freddie Mac under the NIBP. The NIBP Bonds were settled on December 23, 2009 with a temporary variable interest rate that may be converted in tranches at the Department's election up to three times in 2010.

On September 1, 2010, the Department of the Treasury announced an extension of the NIBP to address the continuing difficulty of originating mortgages for HFAs across the nation. Modifications to the program include an extension of the escrow draw period from December 31, 2010 to December 31, 2011; provisions to allow additional interest rate resets; and an increase in the number of draws on the program from three to six. On September 9, 2010, the Department executed an election letter accepting the changes to the program and now must adopt the First Amendment which includes modifications to the Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture.

**Resolution No. 11-007**

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO THIRTIETH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND TRUST INDENTURE RELATING TO THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 2009C; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Texas Housing Agency (the "Agency") or the Department, as its successor, has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Residential Mortgage Revenue Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 (as amended by supplemental indentures numbered First through Thirtieth and any amendments thereto, collectively, the "RMRB Indenture") between the Department, as successor to the Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), to implement the various phases of the Agency's (now the Department's) single family mortgage purchase program by providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage backed securities ("Mortgage Certificates") issued and guaranteed by Fannie Mae ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae")) (referred to herein as "Mortgage Loans"); and

WHEREAS, Section 302 of the RMRB Indenture authorizes the issuance of additional bonds for the purposes of acquiring Mortgage Loans or participations therein, payment of costs of issuance, funding of reserves and refunding outstanding bonds or notes issued by the Department under the Act; and

WHEREAS, the Department issued, under the Act and the federal government's New Issue Bond Program ("NIBP"), its Residential Mortgage Revenue Bonds, Series 2009C (the "Series 2009C Bonds") pursuant to the RMRB Indenture and the Thirtieth Supplemental Residential Mortgage Revenue Bond

Trust Indenture dated as of December 1, 2009 between the Department and the Trustee (the "Thirtieth Series Supplement"); and

WHEREAS, the Department desires to amend the Thirtieth Series Supplement in order to enhance Mortgage Loan prospects by implementing certain modifications made to the NIBP announced by the United States Department of the Treasury on September 1, 2010 (the "NIBP Modifications"); and

WHEREAS, the Department desires to effectuate the foregoing enhancements by entering into a First Amendment to Thirtieth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Indenture Amendment") with the Trustee and consented to by the owners of the Bonds; and

WHEREAS, the Board has examined the Indenture Amendment and has found the form and substance thereof to be satisfactory and proper, and has determined to authorize the execution and delivery of such documents and the taking of such other action as may be necessary or convenient in connection therewith; and

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1. Definitions. Unless the context otherwise requires, the terms used herein shall have the meanings specified in the Thirtieth Series Supplement.

Section 2. Approval, Execution and Delivery of the Indenture Amendment. The form and substance of the Indenture Amendment are hereby approved and the terms thereof are hereby incorporated by reference herein, and the Chairman of the Governing Board or the Executive Director or the Chief of Agency Administration of the Department of the Issuer are hereby authorized to execute and deliver the Indenture Amendment to the Trustee, with such changes as the officer executing the same shall approve, such approval to be conclusively evidenced by such officer's execution thereof.

Section 3. Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are hereby authorized to consent to, accept, execute, attest and affix the Department's seal to such other certificates, documents, instruments, letters of instruction, written requests, and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 4. Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are hereby authorized to make or approve such revisions in the form of the Indenture Amendment as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 5. Authorized Representatives. The following persons are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Resolution: Chairman or Vice Chairman of the Governing Board, Executive Director or Acting Executive Director of the Department, Chief of Agency Administration of the Department, Director of Bond Finance of the Department, Director of Texas Homeownership of the Department and the Secretary to the Governing Board.

Section 6. Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

Section 7. Effective Date. This Resolution shall be in full force and effect from and upon the adoption hereof.

*[Execution page follows]*

PASSED AND APPROVED this 10th day of November, 2010.

________________________________________
Chairman, Governing Board

ATTEST:

___________________________________
Secretary to the Governing Board

(SEAL)

**MULTIFAMILY FINANCE DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

Approve the requests for extensions related to four (4) 2004 Housing Tax Credit, one (1) 2005 Housing Tax Credit, one (1) 2006 Housing Tax Credit, one (1) 2007, one (1) 2009 Tax Credit Exchange allocations.

## RECOMMENDED ACTION

**WHEREAS**, the Board requires compliance with the deadlines it sets through its Qualified Allocation Plan (QAP) and authorizes the Executive Director to approve reasonable extensions of such deadlines when requested with good cause prior to the deadline, and

**WHEREAS**, the Board may consider and approve with good cause or deny extensions of deadlines requested after the deadline, and

**WHEREAS**, four applicants who have missed deadlines requested extensions after their respective deadline had passed but provided good cause for granting the extensions and paid the required $2,500 extension request fees as applicable.

It is hereby:

RESOLVED, that the extensions presented in this meeting relating to Application No. 04408 (Hickory Manor Apartments), Application No. 04488 (Mission Del Rio), Application No. 04463 (Lakeside Manor Apartments), Application No. 04612 (Willow Bend Apartments), Application No. 05610 (Prairie Ranch Apartments), Application No. 060206 (Mesquite Terrace Apartments), Application No. 07166/08929 (Jeremiah Seniors), and Application No. 09915 (Jackson Village Retirement Center) are hereby approved in the form presented to this meeting.

## Background

Pertinent facts about the request for extension are following:

**<u>HTC No. 04408 Hickory Manor Apartments</u>**
**(Cost Certification Extension)**

<u>Summary of Request</u>: Pursuant to §50.16(a) of the 2004 Qualified Allocation Plan "…Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service...". The owner of this development elected to initiate the credit period in 2005 but missed the April l, 2006 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately four years and six months after the deadline on October 1, 2010. The documentation is currently under review by staff.

As this is a tax exempt bond transaction, no penalty for unused credits will occur.

| | |
|---|---|
| Owner: | OHC/Desoto I, Ltd. |
| General Partner: | Outreach Housing Corporation |
| Developer: | Colonial Equities, Inc. |
| Principals/Interested Parties: | Richard Shaw, Richard C. Ruschman, and Shaw Family Trust |
| City/County: | DeSoto/Dallas |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 188 HTC units |
| 2004 Allocation: | $579,425 |
| Allocation per HTC Unit: | $3,082 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | April 1, 2006 |
| New Deadline Requested: | October 1, 2010 |
| **New Deadline Recommended:** | **October 1, 2010** |
| Previous Extensions: | N/A |

Provident Management

09-09-10A11:29 RCVD

September 8, 2010

Kent Bedell, Multifamily Housing Specialist
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Hickory Manor (the "Project")
TDHCA No. 04-408 CMTS 4142
Request for Extension of Deadline for Submission of Cost Certification

Dear Mr. Bedell:

On behalf of OHC/DeSoto I, Ltd. (the Partnership), the Development Owner with respect to the above referenced Project, we are submitting this letter to request an extension of the deadline for the submission of the cost certification documentation for the Project. A check in the amount of $2,500 for the payment of the extension fee is enclosed.

The Cost Certification documentation has been submitted. Consequently, the Partnership respectfully requests an extension of the deadline for the submission of its Cost Certification to October 1, 2010.

Regards,

Wanda Harland

Wanda Harland
For the Partnership

Cc: Robbye Meyer
TDHCA, Director of Multifamily Finance

Rosalio Banuelos
TDHCA, Cost Certification Specialist

18208 Preston Road • D9-235 • Phone 972-733-0096 • Fax 972-733-1864 • wharland@providentmgmt.com

**<u>HTC No. 04488 Mission del Rio (fka Rose Court at Riverside)</u>**
**(Cost Certification Extension)**

<u>Summary of Request</u>: Pursuant to §50.16(a) of the 2004 Qualified Allocation Plan "…Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service...". The owner of this development elected to initiate the credit period in 2008 but missed the April l, 2009 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately 1 year and six months after the deadline on October 5, 2010. The documentation is currently under review by staff.

As this is a tax exempt bond transaction, no penalty for unused credits will occur.

| | |
|---|---|
| Owner: | Chicory Court II, LP |
| General Partner: | Chicory GP II, Inc. |
| Developer: | Odyssey Residential Holdings, Inc. |
| Principals/Interested Parties: | Jerry Du Terroil and Saleem Jafar |
| City/County: | San Antonio/Bexar |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Family |
| Units: | 240 HTC units |
| 2004 Allocation: | $787,746 |
| Allocation per HTC Unit: | $3,282 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | April 1, 2009 |
| New Deadline Requested: | October 5, 2010 |
| **New Deadline Recommended:** | **October 5, 2010** |
| Previous Extensions: | N/A |

**CHAMPION HOMES AT MISSION DEL RIO**
**CHICORY COURT II, L.P.**
**C\O ODYSSEY RESIDENTIAL HOLDINGS, L.P.**
**1355 TWO LINCOLN CENTER**
**DALLAS, TX 75240**
**972-701-5551**
**972-701-5562 FAX**

Mr. Ben Sheppard
Multifamily Finance
TDHCA
211 East 11th Street
Austin, TX 77001

September 30, 2010

RE: Amendment request for Mission Del Rio TDHCA # 04-488, 4% tax exempt bond financed development in San Antonio

Dear Ben:

On behalf of the owner of the GP, Centerline Capital Group, we hereby request an amendment to the project application as follow:

Previous request from October 2008 is still pending:

1. Approval of a revised site plan resulting from the developer working within the San Antonio River Authority mission reach river improvement plan. The layout of the buildings has changed to comply with flood impact analysis and use of a portion of our property for the San Antonio River Improvements project designed to return the San Antonio River to a meandering river from its current configuration as a trapezoidal drainage ditch. A site plan is enclosed for review. The total number of buildings is 10 as contained in the original application but they have varied in design mix, NRA (net rentable area) and they are positioned differently on the site.

2. The developer also requests an extension of the cost certification deadline that will come due in January 2009, because credits began running in 2008 to a new deadline of September 30, 2009. This date allows the partnership to complete the improvements and the cost certification process. The delay in the completion of construction of the development precludes our compliance with this January 2009 deadline until passage of this amendment, if deemed appropriate by the Board, and completion of the final two buildings.

**<u>HTC No. 04463 Lakeside Manor Apartments</u>**
**(Cost Certification Extension)**

<u>Summary of Request</u>: Pursuant to §50.16(a) of the 2004 Qualified Allocation Plan "…Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service...". The owner of this development elected to initiate the credit period in 2006 but missed the April l, 2007 deadline to submit cost certification documentation for the above referenced development. The owner is requesting to extend the deadline to January 16, 2011. The reason given for the request is that the cost certification package was never completed due to turnover in the general partner's organization. The owner has indicated that many elements of the cost certification package are complete; however, there are a few remaining items that need to be gathered in order to submit a complete package.

As this is a tax exempt bond transaction, no penalty for unused credits will occur.

| | |
|---|---|
| Owner: | OHC/LITTLE ELM LTD. |
| General Partner: | Outreach Housing Corporation |
| Developer: | Outreach Housing Corporation |
| Principals/Interested Parties: | Richard Shaw and Shaw Family Trust |
| City/County: | Little Elm/Denton |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 178 HTC units |
| 2004 Allocation: | $428,143 |
| Allocation per HTC Unit: | $2,405 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | April 1, 2007 |
| New Deadline Requested: | January 16, 2011 |
| **New Deadline Recommended:** | **January 16, 2011** |
| Previous Extensions: | N/A |

Provident Management

September 29, 2010

Kent Bedell, Multifamily Housing Specialist
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Lakeside Manor (the "Project")
TDHCA No. 04463 CMTS 4166
Request for Extension of Deadline for Submission of Cost Certification

Dear Mr. Bedell:

On behalf of OHC/Little Elm I, Ltd. (the Partnership), the Development Owner with respect to the above referenced Project, we are submitting this letter to request an extension of the deadline for the submission of the cost certification documentation for the Project. A check in the amount of $2,500 for the payment of the extension fee is enclosed.

The Cost Certification documentation has been submitted. Consequently, the Partnership respectfully requests an extension of the deadline for the submission of its Cost Certification to January 16, 2011.

Regards,

Wanda Harland

Wanda Harland
For the Partnership

Cc: Robbye Meyer
TDHCA, Director of Multifamily Finance

Rosalio Banuelos
TDHCA, Cost Certification Specialist

**Kent Bedell**

**From:** Wanda Harland [wharland@providentmgmt.com]
**Sent:** Wednesday, October 06, 2010 9:40 AM
**To:** kent.bedell@tdhca.state.tx.us
**Cc:** Rosalio Banuelos; Rebecca Russell; Tom Hollingsworth
**Subject:** FW: Cost Cert Extension Request for TDHCA #04463 Little Elm - Lakeside Manor

I accepted this position mid July this year, prior to that the Director of Compliance position had been vacant since February 2010. At the syndicator's (WNC) request I submitted the request for extension and surprisingly discovered that the cost certification had never been submitted. WNC had received the independent auditor's report and final cost certification dated May 31 2006 and assumed that the cost certification had been filed. It appears that someone within the general partner's organization who was assigned the project of submitting the cost certification did not complete the task and left the company, some time ago. The project of submission was overlooked by all. So while there are elements of the package available to me the cost cert package has not yet been composed. With the support of the Provident Management staff and the syndicator I will prepare the package for submission and will need the time allotted until 1/16/11 to compose the cost certification submission.

The development was placed in service: 5/16/06

---

**From:** Kent Bedell [mailto:kent.bedell@tdhca.state.tx.us]
**Sent:** Monday, October 04, 2010 2:22 PM
**To:** Wanda Harland
**Cc:** Rosalio Banuelos
**Subject:** Cost Cert Extension Request for TDHCA #04463

Please confirm when this development placed in service? Additionally, you have indicated that the Cost Cert documentation was submitted; however, you requested a new deadline of January 16, 2011. I have confirmed that the documentation has not been received yet, so please clarify when you plan to submit the documentation.

If you are not planning on submitting the documentation until 1/16/11, then I will need you to provide a detailed reason for why the extension is needed.

Please let me know if you have any questions.

**HTC No. 04612 Willow Bend Apartments**
**(Cost Certification Extension)**

Summary of Request: Pursuant to §50.16(a) of the 2004 Qualified Allocation Plan "…Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service...". The owner of this development elected to initiate the credit period in 2005 but missed the April l, 2006 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately three years and nine months after the deadline on November 19, 2009. The documentation is currently under review by staff.

As this is a tax exempt bond transaction, no penalty for unused credits will occur.

| | |
|---|---|
| Owner: | Common Texas (Willow Bend), Ltd. |
| General Partner: | Commonwealth SA Apartments, LLC |
| Developer: | Hogan Real Estate Services |
| Principals/Interested Parties: | Lewis Foley and Michael Hogan |
| City/County: | San Antonio/Bexar |
| Set-Aside: | Non-Profit |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Family |
| Units: | 250 HTC units |
| 2004 Allocation: | $588,540 |
| Allocation per HTC Unit: | $2,354 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | April 1, 2006 |
| New Deadline Requested: | November 19, 2010 |
| **New Deadline Recommended:** | **November 19, 2010** |
| Previous Extensions: | N/A |

homespring
Realty Partners

September 10, 2010

Mr. Bedell
TDHCA- Multifamily Division
221 East 11th Street
P.O. Box 13941
Austin, Texas 78711-3941

COST CERTIFICATION

SEP 30 2010

TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS

RE: **<u>Request to Extend Cost Certification Submission</u>**
Willow Bend Apartments
TDHCA # 04612

Dear Mr. Bedell,

Please accept this letter as our formal request to extend the date of required to file the Project Cost Certification to November 19th, 2009. We have enclosed a check in the amount of $2,500.00 as the promulgated fee for this request.

If you require more information, I can be reached at the contact information provided on this letterhead or at mhogan@hoganrwe.com.

Thank you,

Michael A. Hogan
President

**<u>HTC No. 05610, Prairie Ranch Apartments</u>**
**(Cost Certification Extension)**

<u>Summary of Request</u>: Pursuant to §49.15(a) of the 2005 Qualified Allocation Plan "…Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service...". The owner of this development elected to initiate the credit period in 2006 but missed the April l, 2007 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately five months after the deadline on August 28, 2007. Staff had been awaiting responses to deficiencies from the applicant to complete the cost certification process.

As this is a tax exempt bond transaction, no penalty for unused credits will occur.

| | |
|---|---|
| Owner: | ARDCG Pwest, Ltd. |
| General Partner: | ARDCG GPPranchwest, LLC |
| Developer: | One Prime, L.P. |
| Principals/Interested Parties: | Hal Thorne and Aubra Franklin |
| City/County: | Grand Prairie/Tarrant |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Family |
| Units: | 176 HTC units |
| 2005 Allocation: | $495,337 |
| Allocation per HTC Unit: | $2,814 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | April 1, 2007 |
| New Deadline Requested: | August 28, 2007 |
| **New Deadline Recommended:** | **August 28, 2007** |
| Previous Extensions: | N/A |

PRAIRIE RANCH
Apartments

September 24, 2010

**VIA FED-EX**

Kent Bedell
Multifamily Division
TDHCA Real Estate Analysis
221 East 11th Street
Austin, Texas 78701

RE: Prairie Ranch Apts. –TDHCA File No: 05610/05640B – CMTS: 4171
Cost Certification Extension Request

Dear Mr. Bedell:

ARDC GPWest, Ltd, herby requests an extension for the date to file the Cost Certification package for the referenced development. The buildings were placed in service during 2006. The Cost Certification was originally due on April 1, 2007. The Cost Certification was submitted on August 28, 2007. We have been working with the Real Estate Analysis Division to complete the remaining items for the issuance of the Forms 8609. The extension request is required in order for the Cost Certification package to be finalized. Enclosed please find a check in the amount of $2,500.00 for the Cost Certification Extension Fee.

Feel free to contact me at 214-563-3273 or rashton@oneprimelp.com in the event you shall require anything further.

Very truly yours,

RICHARD ASHTON

**<u>HTC No. 060206, Mesquite Terrace</u>**
**(Cost Certification Extension)**

<u>Summary of Request:</u> Pursuant to §50.15(b)(2) of the 2006 Qualified Allocation Plan, "…Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins…". The owner of this development elected to initiate the credit period in 2008 but missed the January l5, 2009 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately one year and 7 months after the deadline on August 19, 2010. The documentation is currently under review by staff.

Should there be any credit that ultimately is unused but is not released by the applicant or cannot be identified as returned by the Department within 180 days of the end of the first year of the credit period, a penalty fee equal to the one year credit amount of the lost credits (10% of the total unused tax credit amount) will be required to be paid by the Owner prior to the issuance of form 8609's.

| | |
|---|---|
| Owner: | Gardens of Mabank, LP. |
| General Partner: | Continental Associates II, Inc. |
| Developer: | Continental Real Estate, Inc. |
| Principals/Interested Parties: | Ivan Haugh and George Hopper |
| City/County: | Mabank/Kaufman |
| Set-Aside: | N/A |
| Type of Area: | Rural |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 36 HTC units |
| 2006 Allocation: | $302,324 |
| Allocation per HTC Unit: | $8,398 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline | January 15, 2009 |
| New Deadline Requested: | August 19, 2010 |
| **New Deadline Recommended:** | **August 19, 2010** |
| Previous Extensions: | N/A |

# SPECTRUM HOUSING CORP.

A NON-PROFIT MULTI-FAMILY REDEVELOPER "WE INVEST IN PEOPLE"



October 11, 2010

10-13-10P01:54 RCVD

Kent Bedell
Multifamily Division
TDHCA
221 E. 11th
Austin, Texas 78711-3941

RE: TDHCA file No. 06026, HOME No. 1000660, CMTS 4480

Mr. Bedell.

Let me start at the beginning, In October of 2009 we (Spectrum Housing Corp. a 501-C-3) were asked to come into and help save the above referred project as the developer was removed. We agreed and applied for a loan which has been approved and waiting to close, but before this can happen we need the 8609's to be issued.

When we applied for the 8609's we were told that we needed the Cost Certification.

So we then had to start at the beginning and get it done, we hired MGroup to help us do just that. While working on the cost certification we found out that the Tax Credit LURA was never done, so once again that had to be done, The Cost Certification was finally complete and sent and the LURA was sent in,

Now we are being told that we should have filed an extension (which we were not aware of since we didn't build the project but came into the project 2 years later and have been dealing with several issues) and send in $2500.00 which is enclosed. And now we are being told it needs to go to the board for approval of the extension which will not meet until Nov. 10, 2010. Time is of the essences on this property, anything you can do to help speed this process up will be greatly appreciated.

Sincerely.

Lorri Jordan

Lorri Jordan
Executive Vice President

214 W. Beltline Rd., Suite C, Cedar Hill, Texas 75104
Office: 972-291-6200 Fax: 972-291-6280 Web Page: Spectrum Housing Corp.com
Email: jack@spectrumhousingcorp.com lorri@spectrumhousingcorp.com

**<u>HTC No. 07166/08929 Jeremiah Seniors</u>**
**(Cost Certification Extension)**

<u>Summary of Request:</u> Pursuant to §49.15(b)(2) of the 2007 Qualified Allocation Plan, "…Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins…".The owner of this development elected to initiate the credit period in 2009 but missed the January l5, 2010 deadline to submit cost certification documentation. The owner in this case submitted the full cost certification documentation approximately one week after the deadline on January 22, 2010. The documentation is currently under review by staff.

Should there be any credit that ultimately is unused but is not released by the applicant or cannot be identified as returned by the Department within 180 days of the end of the first year of the credit period, a penalty fee equal to the one year credit amount of the lost credits (10% of the total unused tax credit amount) will be required to be paid by the Owner prior to the issuance of form 8609's.

| | |
|---|---|
| Owner: | Hurst-Jeremiah 29:11, L.P. |
| General Partner: | Jeremiah 29:11, Inc. |
| Developer: | Rumsey Development, LLC |
| Principals/Interested Parties: | Robert Rumsey, Brian Rumsey, and Steve Rumsey |
| City/County: | Hurst/Tarrant |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 135 HTC units |
| 2007 Allocation: | $989,447 |
| Allocation per HTC Unit: | $7,329 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | January 15, 2010 |
| New Deadline Requested: | January 22, 2010 |
| **New Deadline Recommended:** | **January 22, 2010** |
| Previous Extensions: | N/A |

# Carleton Residential Properties

5485 Belt Line Road
Suite 300
Dallas, Texas 75254

(972) 980-9810
(972) 980-1559 Fax

September 24, 2010

Mr. Kent Bedell
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Mr. Bedell:

We would like to request an extension to the deadline for submission of the Cost Certification for Villas on Calloway Creek (TDHCA #07166/08929). Due to an unforeseen delay in compiling the Cost Certification submission materials, we were unable to meet the January 15th Cost Certification submission deadline. Therefore, we formally request an extension until January 22, 2010 for submission of the Cost Certification packet.

I've enclosed an extension request check of $2,500.

Thank you for your time on this matter. Should you have any questions, please feel free to call me at (972) 980-9810 x 120 or email me at whenderson@carletonrp.com.

Sincerely,

WillH

Will Henderson
Carleton Development, Ltd.
5485 Beltline Road, Suite 300
Dallas, Texas 75254
214-377-6558 (Direct)
469-245-5934 (Cell)
972-980-1559 fax

enclosure

**<u>HTC No. 09915, Jackson Village Retirement Center</u>**
**<u>(Tax Credit Exchange Program App)</u>**
**(Commencement of Substantial Construction)**

<u>Summary of Request:</u> Pursuant to the Exchange Policy, for Developments that closed on Exchange funds after March 31, 2010 and before May 31, 2010, the Development Owner must submit evidence of having commenced and continued substantial construction activities, and evidence must be submitted not later than July 31, 2010. The owner in this case submitted the commencement of substantial construction (COC) documentation approximately five weeks after the deadline on September 8, 2010. The documentation is currently under review by staff.

The owner has requested a waiver of the mandatory non-refundable $2500 extension fee on the basis that the COC requirement was met by the deadline. Upon review of the documentation, Department staff confirmed that the requirement was met by the deadline; however; the actual COC documentation was not submitted by the required deadline. Therefore, pursuant to §49.20(l)(3) of the 2009 QAP, the owner was required to submit an extension request and the $2,500 extension fee.

| | |
|---|---|
| Owner: | Community Retirement Center of Lake Jackson, L.P. |
| General Partner: | LJ PARTNERS, LLC |
| Developer: | Community Retirement Centre, Inc. and MGroup, LLC |
| Principals/Interested Parties: | Charles Holcomb, Laura Musemeche, and Mark Musemeche |
| City/County: | Lake Jackson/Brazoria |
| Set-Aside: | N/A |
| Type of Area: | Urban |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 92 HTC units |
| 2009 Allocation: | $988,807 |
| Allocation per HTC Unit: | $10,748 |
| Extension Request Fee Paid: | $2,500 |
| Current Deadline: | July 31, 2010 |
| **New Deadline Requested:** | **September 8, 2010** |
| Previous Extensions: | N/A |

| | |
|---|---|
| **Staff Recommendation:** | **Approve the extension and deny the request for a waiver of the $2,500 mandatory extension fee.** |

Attn: Kent Bedell

**From:** Ofelia Elizondo (oelizondo@sbcglobal.net)
**To:** kent.bedell@tdhca.state.tx.us;
**Date:** Fri, October 22, 2010 3:42:29 PM
**Cc:** gavin.reid@tdhca.state.tx.us; mgroupinc@sbcglobal.net;
**Subject:** Re: Emailing: Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf

Mr. Bedell,
Per recent email correspondence with Mr. Gavin Reid, we submitted all evidence to meet the requirement of commencement of substantial construction to the Department. The development met the 10% construction requirement by July 31, 2010, however, Mr. Reid has instructed us to request an extension because the documentation was not submitted by the deadline date. We will issue a check for the extension fee of $2,500 if necessary, but believe the fee should be waived because all the requirements for the develoment were met in a timely manner. Please contact our office should you have any questions. Thank you for your assistance.

Ck. 1577 attached
$2,500

**Ofelia Elizondo**

MGROUP

1013 Van Buren Houston, Texas 77019 713.522.4141 713.522.9775(F)

oelizondo@sbcglobal.net

**From:** Gavin Reid <gavin.reid@tdhca.state.tx.us>
**To:** Ofelia Elizondo <oelizondo@sbcglobal.net>
**Cc:** Kent Bedell <kent.bedell@tdhca.state.tx.us>; Mark Musemeche <mgroupinc@sbcglobal.net>
**Sent:** Thu, October 21, 2010 12:08:24 PM
**Subject:** RE: Emailing: Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf

Ofelia,
Unfortunately, even though you have the evidence that you completed 10% construction before the deadline of July 31, 2010, you will still have to request an extension from Kent as stated in my letter. The rules we go by are that evidence of commencement of substantial construction must be submitted by the deadline date. See highlighted portion out of the 2008 QAP below:

**Commencement of Substantial Construction.** The Development Owner must submit evidence of having commenced and continued substantial construction activities as defined in §60 of this title. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §50.20 of this title.

Of course, the Dec 1 deadline doesn't pertain, b/c of this new Exchange program which has different deadlines, but everything else in the rule does.

Thank you,
Gavin

-----Original Message-----
**From:** Ofelia Elizondo [mailto:oelizondo@sbcglobal.net]
**Sent:** Thursday, October 21, 2010 10:15 AM
**To:** Gavin Reid
**Cc:** Kent Bedell; Mark Musemeche
**Subject:** Re: Emailing: Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf

Gavin and Kent,
Attached is our response to your deficiency notice. Please contact our office should you have any questions. Thank you.

**Ofelia Elizondo**

MGROUP

1013 Van Buren Houston, Texas 77019 713.522.4141 713.522.9775(F)

oelizondo@sbcglobal.net

---

**From:** Gavin Reid <gavin.reid@tdhca.state.tx.us>
**To:** Mark Musemeche <mgroupinc@sbcglobal.net>; Ofelia Elizondo <oelizondo@sbcglobal.net>
**Cc:** Kent Bedell <kent.bedell@tdhca.state.tx.us>
**Sent:** Tue, October 19, 2010 10:47:01 AM
**Subject:** Emailing: Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf

<<Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf>>
The message is ready to be sent with the following file or link attachments:

Jackson Village Retirement Center 08101,09915 CSC Deficiency Notice.pdf

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**
**November 10, 2011**

**Recommended Action**

Approve the requests for amendments as presented.

**Whereas,** the tax credit award relating to TCAP 09721, Four Seasons at Clearcreek, was supported by the public and the award was made by the Board based on certain premises, including the development of a 7.0 acre tract of land, and

**Whereas,** the Four Seasons development site was reduced by 1.08 acres in order to comply with City of Fort Worth right of way mandates, and

**Whereas,** the tax credit award relating to HTC 10061, Magnolia Trails Apartments, was supported by the public and the award was made by the Board based on certain premises, including the development of a 10.183 acre tract of land, and

**Whereas,** the Magnolia Trails development site was reduced by 1.354 acres, and development owner relinquished responsibility for the construction and maintenance of an onsite detention pond, and

**Whereas,** the owner of the adjacent land to the Magnolia Trails development has agreed to construct and maintain a regional detention pond on the 1.354 acre tract of land for communal use,

It is hereby

**RESOLVED**, that staff's recommendations regarding the amendments relating to Application #09721, Four Seasons at Clear Creek be and they hereby are approved in the form presented to this meeting; and

**RESOLVED,** that staff's recommendations regarding the amendment relating to Application # 10061, Magnolia Trails Apartments be and hereby are approved in the form presented to this meeting.

**Background**

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a "material alteration," would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

The requests and pertinent facts about the affected developments are summarized below.

**TCAP No. 09721, Four Seasons at Clear Creek, formerly HTC No. 08273**

Summary of Request: The owner asked approval for a reduction in the land area from 7 acres to 5.92 acres. The reduction of 1.08 acres is 15.4% less than the original land area, increasing the density of the development by the same percentage, from 13.7 to 16.2 units per acre. The owner indicated that only the site plan will change. The net rentable area, common area, and the remaining significant features of the development will remain as originally proposed. This alteration was reported as necessary to meet the City of Fort Worth's requirements to dedicate right-of-way and staff has confirmed that this is the case. Staff found that the change left the score and Threshold status of the application unaffected and would not have affected the recommendation to award tax credits. Moreover, staff believes the change was out of the developer's control since it was a new requirement from the city.

Pursuant to §50.17(d) of the Qualified Allocation Plan and Rules "If a proposed modification would materially alter a Development approved for an allocation of a Housing Tax Credit, or if the Applicant has altered any selection criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application… The Board must vote on whether to approve an amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of Housing Tax Credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment…would materially alter the Development in a negative manner…Material alteration of a Development includes, but is not limited to...A modification of the residential density of the Development of at least 5%..." Therefore, an amendment to the application is necessary.

| | |
|---|---|
| Owner: | Four Seasons at Clear Creek, Ltd. |
| General Partner: | MERCED–Four Seasons at Clear Creek, LLC |
| Developer: | MERCED-Four Seasons at Clear Creek, LLC; NRP Holdings, LLC |
| Principals/Interested Parties: | Merced Housing Texas, The NRP Group (developer and general contractor) |
| Syndicator: | Raymond James |
| Permanent Lender: | NA - TCAP Funds |
| Construction Lender: | Stearns Bank |
| Other Funding: | City of Fort Worth HOME Funds |
| City/County: | Fort Worth/Tarrant |
| Set-Aside: | General Population |
| Type of Area: | Urban |
| Region: | 3 |
| Type of Development: | New Construction |
| Population Served: | General Population |
| Units: | 92 HTC units and 4 market rate units |
| 2009 TCAP Funds: | $5,365,000 permanent loan replacement<br>$921,081 annual Housing Tax Credits |
| Funding per Unit: | $58,315 loan per HTC unit; $10,012 HTC per HTC unit |
| Prior Board Actions: | 7/08 – Approved original award of tax credits |

| | |
|---|---|
| REA Finding: | The requested change does not negatively impact the underwriting of this transaction and the previously awarded amount of tax credits would not have been affected. |

**HTC No. 10061, Magnolia Trails**

Summary of Request: The owner requested approval to reduce the development site by 1.354 acres, and subsequently forgo building and maintaining an on-site detention pond but instead utilize a to-be constructed offsite detention pond. The land seller negotiated the development of a communal detention pond on an adjacent site in exchange for selling this development a smaller portion of land.

Staff determined the original development site was measured incorrectly and consequently reported to department staff as 9.896 acres of land. The site has been platted and correctly determined to be 10.183 acres. The land dedicated to the detention pond reduces the site to 8.829 acres (10.183 - 1.354 = 8.829). Additionally, the updated plat proposes 387.99 feet on the western property line to be dedicated to the 6th Street right of way, which will reduce the site by an additional .454 acres. Although the taking is not imminent, the area of the right-of-way has already been approved by the city and the Board's current approval for its future removal from the development site would save an additional amendment of the site in the future. The final site as amended is 8.375 acres, which is 1.521 acres smaller than originally underwritten (9.896 - 8.375 = 1.521).

Staff determined that the reduction in land would increase site density by fifteen percent; ten percent more than the five percent that require board approval. Staff examined the site plan and concluded the original building footprints have not changed in that the original application provided the amended plan as an alternative plan in the application. The tax credit application indicated the detention pond would be constructed on the 1.354 acres of land in question. However, the contract included a provision for a reduced site if an alternative detention facility could be constructed. The Magnolia Church owns the land directly adjacent to the development site, and agreed to construct and maintain a regional detention pond for communal use.

The amended land purchase agreement, provided at application, indicated that the site would be reduced in size if the seller and Church agreed the Church would "…construct, operate, and maintain a regional detention pond (Detention Pond) at Church's expense…." Although costs associated with constructing a detention pond will be foregone, the savings will be offset by the cost of importing fill dirt for drainage flow and leveling of the site. In addition the total cost for the reduced site acquisition would remain unchanged.

Staff confirmed that net rentable area, common areas, and amenities would remain as originally proposed. Furthermore, the proposed amendment would have no effect on the application score or tax credit award. Staff recommends the amendment be approved.

Pursuant to §50.17(d) of the Qualified Allocation Plan and Rules "If a proposed modification would materially alter a Development approved for an allocation of a Housing Tax Credit, or if the Applicant has altered any selection criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application… The Board must vote on whether to approve an amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of Housing Tax Credits and reallocate the credits to other Applicants on the Waiting

List if the Board determines that the modification proposed in the amendment…would materially alter the Development in a negative manner…Material alteration of a Development includes, but is not limited to...A modification of the residential density of the Development of at least 5%...” Therefore, an amendment to the application is necessary.

| | |
|---|---|
| Owner: | Magnolia Trails LP |
| General Partner: | Magnolia Trails Advisors LLC |
| Developer: | Mark-Dana Corporation |
| Principals/Interested Parties: | David M. Koogler |
| Syndicator: | PNC Real Estate |
| Construction Lender: | PNC Real Estate |
| Permanent Lender: | PNC Real Estate |
| Other Funding: | CDBG – Montgomery County |
| City/County: | Magnolia, Montgomery County |
| Set-Aside: | N/A |
| Type of Area: | Rural |
| Region: | 6 |
| Type of Development: | New Construction |
| Population Served: | Elderly |
| Units: | 80 HTC units approved |
| 200 Allocation: | $906,277 |
| Allocation per HTC Unit: | $11,328 |
| Prior Board Actions: | 7/10 – Approved award of tax credits |
| REA Findings: | The requested changes to do not negatively impact the underwriting of the transaction. No change to the credit recommendation is recommended prior to the completion of the cost certification review process. |

**Four Seasons at Clear Creek, Ltd.**

*111 Soledad, Suite 1220 · San Antonio, TX 78205 · (ph) 210-487-7878 · (fax) 210-487-7880*

August 26, 2010

Mr. Ben Sheppard
Senior Cost Certification Specialist
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: Four Seasons at Clear Creek
TDHCA # 09721/08273

Dear Mr. Sheppard:

Please let this letter serve as our formal request to amend the 9% Housing Tax Credit and TCAP applications for the above referenced project.

The application land acreage submitted for Four Seasons at Clear Creek indicated the size of the land at 7.0 acres, however due to mandates for dedication of public right of way by the City of Fort Worth the project area was reduced to 5.92 acres, a reduction of 1.08 acres. This amendment request covers only the variance of the land and no other aspect of the application. The proposed change will not impact the development costs for the project nor does it alter the income restrictions or the quality of construction.



For your review and consideration please find included in this response:

- The Relevant Development Information Form, Part 1 submitted at application
- Part B Specifications and Amenities submitted at application
- City of Fort Worth approved URD Site Plan (*See Site Data Box showing dedication)
- Amendment Fee (Check # 3204 in the amount of $2,500)

It is our humble request that our amendment request be considered administratively. If an administrative approval is not possible, then we request that this amendment request be heard at the first available TDHCA Board Meeting. I thank you in advance for your consideration and please feel free to contact me should you have any questions or need for additional information at (210) 487-7878 or by email at nsheppard@nrpgroup.com.

Sincerely,

Nancy Sheppard

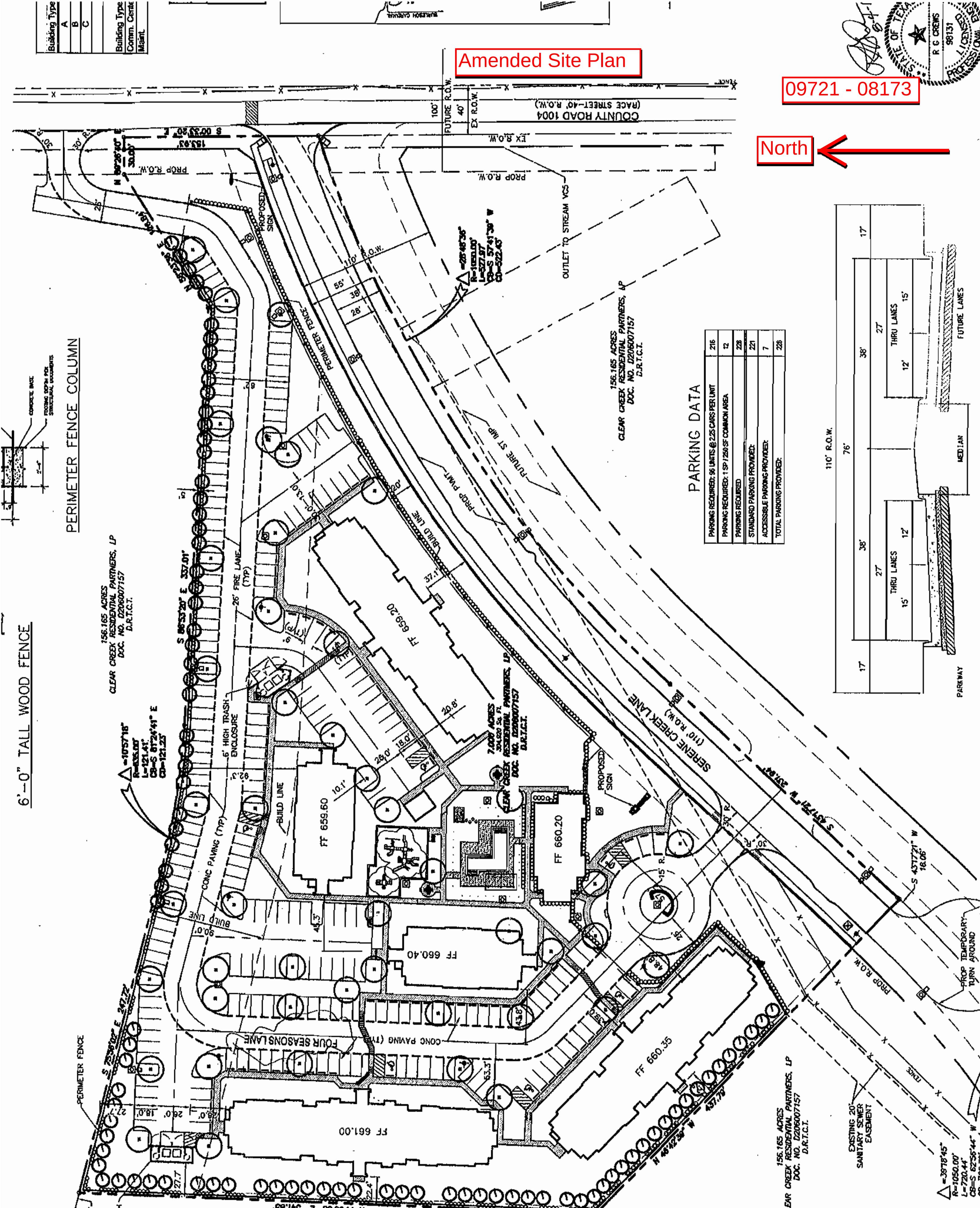
Nancy Sheppard
Project Manager
The NRP Group, LLC

Cc: Susan Sheeran – Merced Housing

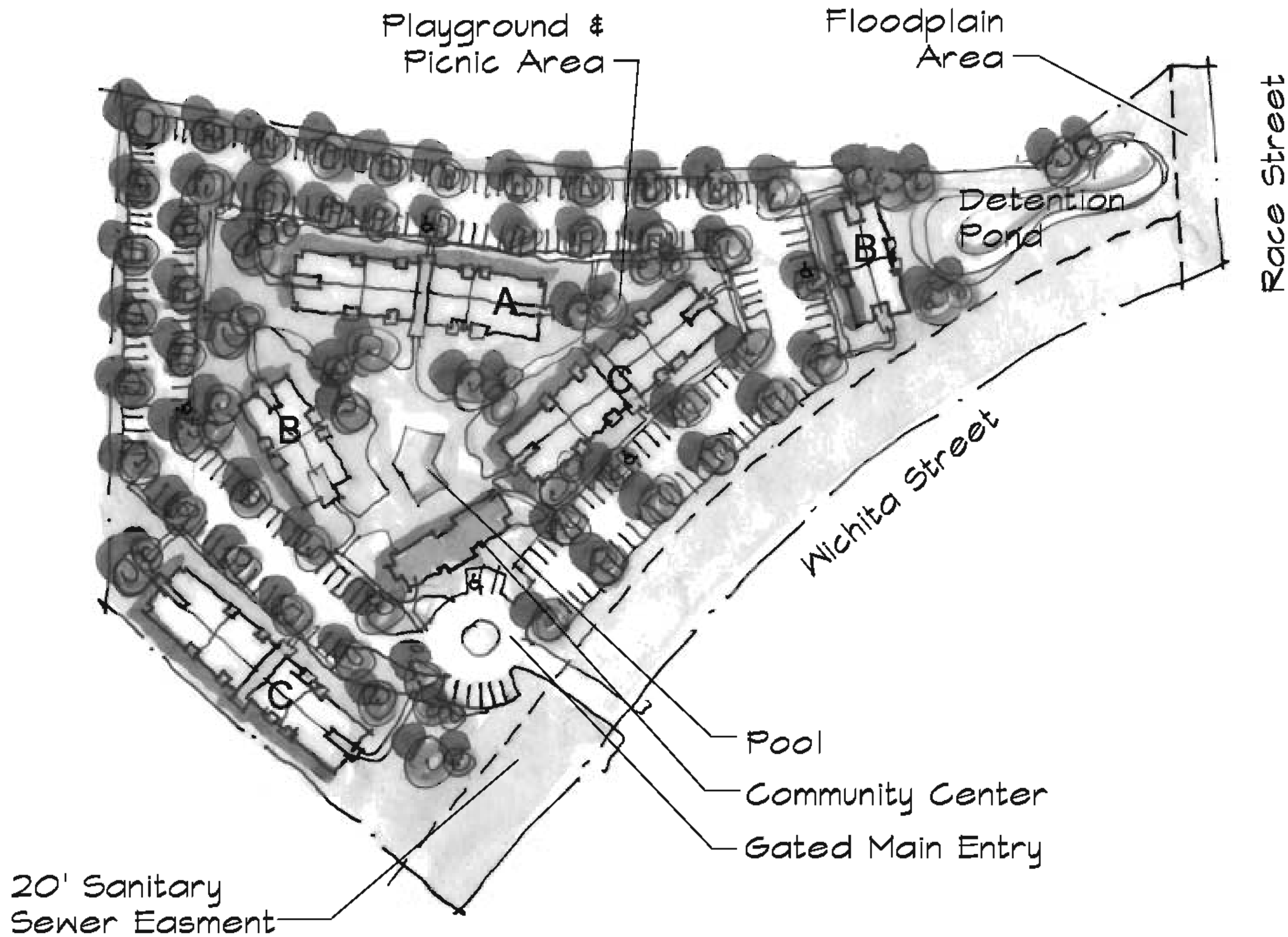
Amended Site Plan

09721 - 08173

North



The dedication affected the northwestern and western sides of the site.

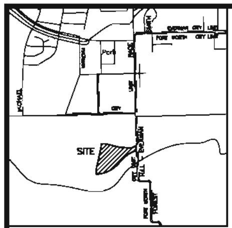



# Site Plan

Scale: 1"=150'   Four Seasons at Clear Creek

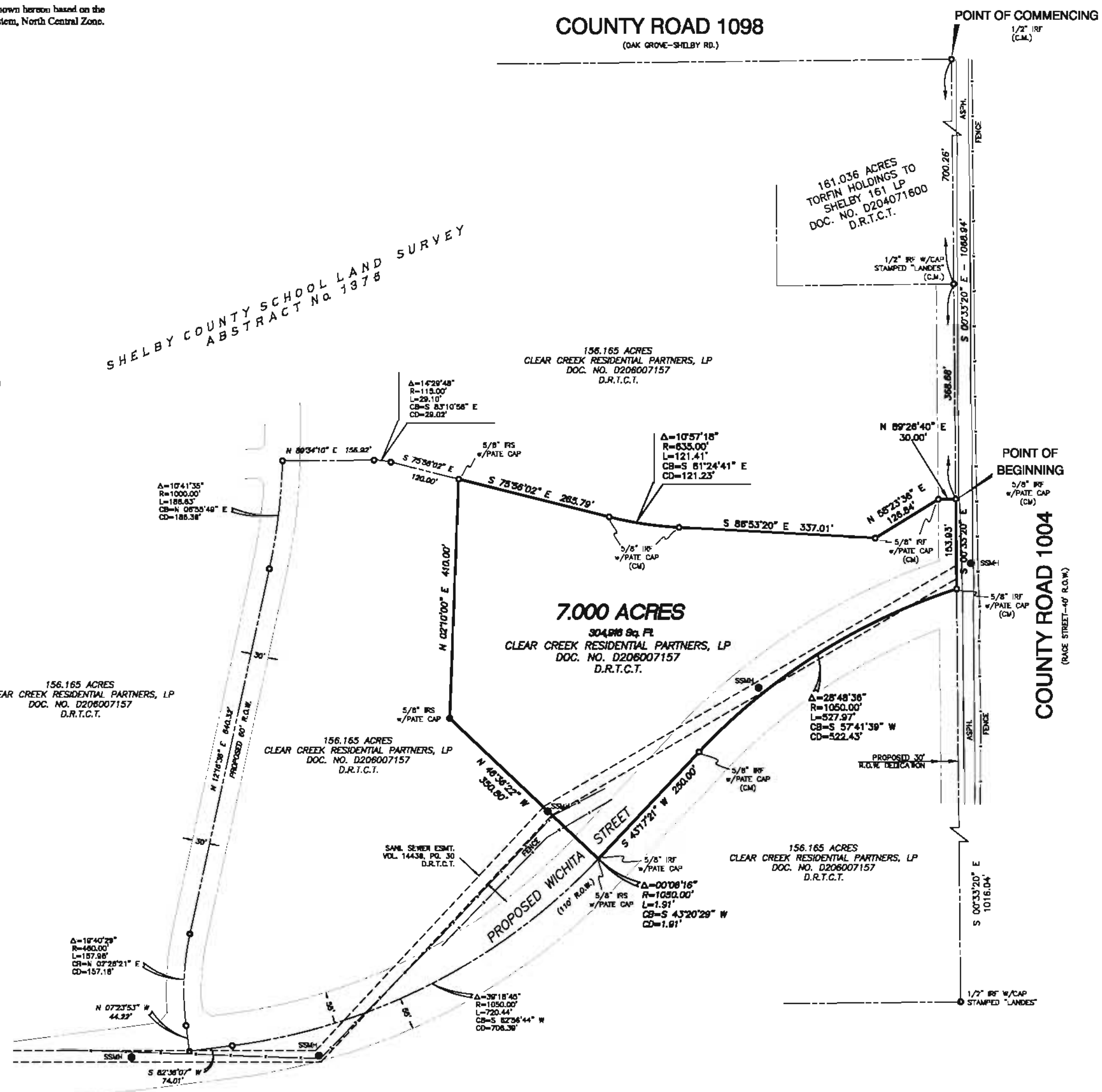
Application Exhibit

09721 - 08173




VICINITY MAP
NOT TO SCALE

Basis of Bearings: All bearings shown hereon based on the Texas State Plane Coordinate System, North Central Zone.




N O T E S

1. This Land Title Survey is issued in conjunction with the Commitment for Title Insurance, prepared by Stewart Title, Inc., File No. 10707263, effective date: May 28, 2007, issued date: June 8, 2007. This Land Title Survey reflects the easements and building lines along with other documented restrictions, of record which have been reported to this Surveyor in Schedule "B" of said Commitment for Title Insurance. Surveyor has performed no additional research for documented restrictions to the land.

2. Unless otherwise noted, all corners shown hereon are 5/8" iron rods set with a cap stamped "PATE".

3. According to the Flood Insurance Rate Map No. 48439C0535 H, published by the Federal Emergency Management Agency, dated: August 2, 1995, a portion of the surveyed property shown hereon lies within the special flood hazard area designated as Zone"AE", inundated by the 100-year flood. A portion also lies within the special flood hazard area designated as shaded Zone "X", defined as areas between the limits of the 100-year flood and the 500-year flood; or certain areas subject to 100-year flooding with average depths of less than one (1) foot or where the contributing drainage area is less than one (1) square mile; or areas protected by levees from the base flood; further, local permitting agencies may require actual topographic support data for final determination of flood limits regarding construction permits.

4. The following easements do not affect the subject tract:
- TP&L easement recorded in Volume 423, Page 41, R.P.R.T.C.T.
- City of Fort Worth easement recorded in Document No. D205288288, R.P.R.T.C.T.

L E G E N D

| | |
|---|---|
| POC | POINT OF COMMENCING |
| POB | POINT OF BEGINNING |
| D.R.T.C.T. | DEED RECORDS, TARRANT COUNTY, TEXAS |
| R.P.R.T.C.T. | REAL PROPERTY RECORDS OF TARRANT COUNTY, TEXAS |
| IRF | IRON ROD FOUND |
| R.O.W. | RIGHT OF WAY |
| SSMH | SANITARY SEWER MANHOLE |
| L | LENGTH |
| R | RADIUS |
| Δ | DELTA |
| C LEN | CHORD LENGTH |
| BRG | CHORD BEARING |
| ASPH | ASPHALT |

0' 100' 200' 300'

LAND DESCRIPTION

Being a tract of land situated in the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas and being a portion of that certain 156.165 acre tract of land as described in deed to Clear Creek Residential Partners, L.P. as recorded in Document Number D206007157 of the Deed Records of Tarrant County, Texas, and more particularly more described by metes and bounds as follows: (All bearings shown hereon based on the Texas State Plane Coordinate System, North Central Zone):

COMMENCING at a 1/2" iron rod found at the intersection of the southerly right-of-way line of County Road 1098 (Oak Grove-Shelby Road a 68 foot wide right-of-way) and the westerly right-of-way line of County Road 1004 (Race Street a 40 foot wide right-of-way) and also being the northeasterly corner of the 161.036 acre tract of land described in deed to Shelby 161, LP as recorded in document number D204071600, Deed Records of Tarrant County, Texas and also being;

THENCE South 00° 33' 20" East, along the westerly right of way line of said County Road 1004, passing a 1/2" iron rod found for the most easterly northeast corner of said 156.165 acre tract at 700.26 feet and continuing for a total distance of 1,068.94 feet, to a 5/8" iron rod with a cap stamped "PATE" found for the POINT OF BEGINNING and also being the northeast corner of the herein described tract;

THENCE South 00° 33' 20" East, continuing along the west right-of-way line of said County Road 1004 a distance of 153.93 feet, to a 5/8" iron rod with cap stamped "PATE" found at the beginning of a non-tangent curve to the left having a central angle of 28° 48' 36", a radius of 1,050.00 feet, and being subtended by a 522.43 foot chord which bears South 57° 41' 39" West, and from which a 1/2" iron rod found with a cap stamped "LANDES" found for the southeast corner of said Clear Creek tract bears South 00° 33' 20" East, 1016.04 feet;

THENCE, along said curve to the left in a southwesterly direction, an arc distance of 527.97 feet, to a 5/8" iron rod with cap stamped "PATE" found at the end of said curve;

THENCE South 43° 17' 21" West, a distance of 250.00 feet, to a 5/8" iron rod with cap stamped "PATE" found at the beginning of a curve to the right, having a central angle of 00° 06' 16", a radius of 1050.00 feet and being subtended by a 1.91 foot chord which bears South 43° 20' 29" West;

THENCE, along said curve to the right in a southwesterly direction, an arc distance of 1.91 feet, to a 5/8" iron rod with cap stamped "PATE" set for a corner;

THENCE North 46° 36' 22" West, a distance of 350.80 feet, to a 5/8" iron rod with cap stamped "PATE" set for a corner;

THENCE North 02° 10' 00" East, a distance of 410.00 feet, to a 5/8" iron rod with cap stamped "PATE" set for a corner;

THENCE South 75° 56' 02" East, a distance of 265.79 feet, to a 5/8" iron rod with cap stamped "PATE" found at the beginning of a curve to the left having a central angle of 10° 57' 14", a radius of 635.00 feet, and being subtended by a 121.22 foot chord which bears South 81° 24' 40" East;

THENCE, along said curve to the left in an easterly direction, an arc distance of 121.40 feet, to a 5/8" iron rod with cap stamped "PATE" found at the end of said curve;

THENCE South 86° 53' 20" East, a distance of 337.01 feet, to a 5/8" iron rod with cap stamped "PATE" found for a corner;

THENCE North 58° 23' 36" East, a distance of 126.84 feet, to a 5/8" iron rod with cap stamped "PATE" found for a corner;

THENCE North 89° 28' 40" East, a distance of 30.00 feet, to the POINT OF BEGINNING and containing 304,916 square feet of 7.000 acres of land, more or less.

CERTIFIED TO: STEWART TITLE, INC. AND CLEAR CREEK RESIDENTIAL PARTNERS, L.P.

I HEREBY CERTIFY THAT THIS SURVEY WAS MADE ON THE GROUND, THAT THIS PLAT CORRECTLY REPRESENTS THE FACTS FOUND AT THE TIME OF SURVEY, AND THAT THIS PROFESSIONAL SERVICE SUBSTANTIALLY CONFORMS TO THE CURRENT TEXAS SOCIETY OF PROFESSIONAL SURVEYORS STANDARDS AND SPECIFICATIONS FOR A CATEGORY 1A, CONDITION 2, SURVEY.

STATE OF TEXAS REGISTERED MARK ALLAN NACE 5539 PROFESSIONAL LAND SURVEYOR

7/28/08
CERTIFICATE DATE

*Preliminary: This document shall not be recorded for any purpose.*

*Mark A. Noce*
*Registered Professional Land Surveyor*
*Texas registration No. 5539*

| DATE | REVISION |
|---|---|
| | |
| | |
| | |
| | |
| | |

PATE SURVEYORS
A DIVISION OF PATE ENGINEERS, INC.
2201 Brookhollow Dr., Ste 445 • Arlington, TX 76006 • Ph817-695-4994 • Fax817-695-5888 • www.pateeng.com

LAND TITLE SURV
7.000 ACRES
SHELBY COUNTY SCHOOL LAND SURVE 75
CITY OF FORT WORT
TARRANT COUNTY, TEX

| | | |
|---|---|---|
| DRAWN: AGF | ORIGINAL ISSUE DATE 02/27/08 | ORIGINAL SCALE |
| APPROVED FOR ISSUE: | PROJECT NO.: 1476-002 10 | |

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

# Memorandum

**To:** File

**From:** David Burrell,
Real Estate Analysis

**cc:** Ben Sheppard,
Multifamily Finance Production

**Date:** September 30, 2010

**Re:** Amendment Request for #09721/08273, Four Seasons at Clear Creek

**Background**

The Development was originally underwritten in the 2008 9% HTC cycle and was approved for an allocation of tax credits in the amount of $921,081. The approval was based on a site containing 7.0 acres. The Applicant subsequently applied for and was awarded TCAP Permanent Replacement Funds in the amount of $5,365,000 in May 2010 to replace a MMA Financial Permanent loan and to fund a gap in financing due to higher total development costs.

**Amendment Request**

In a letter dated August 26, 2010, the Applicant requested an amendment to the site plan to reduce the size of the site from 7.0 acres down to 5.92 acres due to mandates for dedication of public right-of-way by the City of Fort Worth. This will be a reduction in the size of the site of 1.08 acres.

**Analysis**

The Applicant submitted a revised site plan for review by the Department, and according to the Applicant the proposed change covers only a variance of the land and no other aspect of the application. The reduction in the acreage will have no impact on the development costs of the project, nor will it alter the income or rent restrictions of the development. There is to be no change in the number of buildings, unit mix, direct construction costs or sitework costs. The Applicant purchased the entire 7 acre site in May 2009, and will be dedicating the 1.08 acres to the City of Fort Worth as public right-of-way without compensation. Accordingly, it is determined that the site change will have no negative impact on the underwriting of the transaction.

**Conclusion**

The requested change does not negatively impact the underwriting of the transaction and the previously awarded Housing Tax Credit amount would not have been affected.

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

Real Estate Analysis Division
Underwriting Report - 2nd TCAP ADDENDUM

REPORT DATE: 05/06/10 PROGRAM: R1 TCAP / 9% HTC FILE NUMBER: **09721/08273**

## DEVELOPMENT

### Four Seasons at Clear Creek

Location: Oak Grove Shelby and South Race Street Region: 3

City: Fort Worth County: Tarrant Zip: 76140 ☐ QCT ☐ DDA

Key Attributes: Family, Urban, New Construction, and Multifamily

## ALLOCATION

| | PREVIOUS REQUEST | | | **PREVIOUS RECOMMENDATION*** | | |
|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** |
| Housing Tax Credit (Annual) | $841,368 | | | **$921,081** | | |

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

| | CURRENT REQUEST | | | **CURRENT RECOMMENDATION*** | | | |
|---|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** | **Lien Position** |
| **TCAP INITIATIVES:** | | | | | | | |
| #2 Permanent Loan Replacement | $5,365,000 | 3.25% | 30/30 | **$5,365,000** | **4.25%** | **30/30** | **1st** |
| Housing Tax Credit (Annual) | $921,081 | | | **$921,081** | | | |

## Conditions to Recommendation (*)

1 Receipt, review and acceptance, by cost certification, of documentation verifying that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, as required by the QAP (10TAC§49.6(a)).

2 Any condition of previous underwriting reports that has not been satisfied remains a condition of this report.

3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

(*) See modified structure recommendation, below.

This section intentionally left blank.

## 2nd ADDENDUM

Four Seasons at Clear Lake was originally underwritten during the 2008 9% HTC cycle and was approved for an annual tax credit allocation of $921,081 subject to conditions. The Applicant subsequently applied for a TCAP loan under the Permanent Loan Replacement initiative. On October 30, 2009, a $5,365,000 TCAP loan was recommended by the Underwriter at a 4.25% interest rate with a 30 year amortization and term.

Subsequently, the Applicant's equity partner, Raymond James, would not accept the terms of the TCAP loan. In a letter dated February 26, 2010, Raymond James indicated that they would only accept TCAP terms that produced must-pay payments not to exceed $75K annually. All remaining debt service must be subject to cash flow. The Applicant has since secured a substitute equity partner, First Sterling Financial, that would also not accept the previously approved terms. However, First Sterling will accept must-pay annual debt service of $222K based on a 1:15 DCR under their underwriting.

To facilitate the closing of the transaction, the Underwriter recommends a tranched repayment structure as outlined below. Under both the Applicant's and TDHCA's proforma, both tranches should be repayable as originally structured. Additionally, the new equity partner will accept must-pay debt service at a higher amount than the previous partner. The new recommendation does not forego any principal or interest repayment as all outstanding principal and interest is reamortized at the end of 15 years on a must-pay basis.

## CONCLUSIONS

Recommended Financing Structure:

Only those portions of the report that are materially affected by the proposed changes are discussed above. This report should be read in conjunction with the original underwriting report for a full evaluation of the originally proposed development plan and structure.

The Underwriter recommends a TCAP loan not to exceed $5,365,000 structured as a fully amortizing loan over 30 years at 4.25% interest rate. The funding will be provided in two tranches: (1) $3,763,807 structured as a fully amortizing loan over 30 years with a 4.25% interest rate; and (2) $1,601,193 structured as amortizing over 30 years with a 4.25% interest rate with annual payments subject to cash flow through the end of Year 15. At the end of 15 years, all outstanding principal and interest will become must-pay based on the then outstanding principal balance re-amortized over 15 years (or such longer amortization period to perfect a minimum DCR of 1.15 times). Any unpaid interest prior to the end of Year 15 shall be capitalized. Payment verification based on annual audit as certified to by the borrower and equity partner. The TCAP loan shall remain in a 1st lien position throughout the repayment period.

| | | | |
|---|---|---|---|
| Underwriter: | *Carl Hoover* | Date: | May 6, 2010 |
| Manager of Real Estate Analysis: | *Audrey Martin* | Date: | May 6, 2010 |
| Director of Real Estate Analysis: | *Brent Stewart* | Date: | May 6, 2010 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/08273***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | | Rent per Month | Rent per SF | Tnt-Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TC 30% | 1 | 1 | 1 | 722 | $371 | 292 | | $292 | $0.40 | $79.00 | $11.00 |
| TC 50% | 4 | 1 | 1 | 722 | $618 | 539 | | $2,156 | $0.75 | $79.00 | $11.00 |
| TC 60% | 6 | 1 | 1 | 722 | $742 | 663 | | $3,978 | $0.92 | $79.00 | $11.00 |
| MR | 1 | 1 | 1 | 722 | | 695 | | $695 | $0.96 | $79.00 | $11.00 |
| TC 30% | 2 | 2 | 2 | 930 | $445 | 351 | | $702 | $0.38 | $94.00 | $11.00 |
| TC 50% | 17 | 2 | 2 | 930 | $742 | 648 | | $11,016 | $0.70 | $94.00 | $11.00 |
| TC 60% | 5 | 2 | 2 | 930 | $891 | 797 | | $3,985 | $0.86 | $94.00 | $11.00 |
| TC 60% | 22 | 2 | 2 | 936 | $891 | 797 | | $17,534 | $0.85 | $94.00 | $11.00 |
| MR | 2 | 2 | 2 | 936 | | 815 | | $1,630 | $0.87 | $94.00 | $11.00 |
| TC 30% | 2 | 3 | 2 | 1,112 | $515 | 408 | | $816 | $0.37 | $107.00 | $11.00 |
| TC 50% | 13 | 3 | 2 | 1,112 | $858 | 751 | | $9,763 | $0.68 | $107.00 | $11.00 |
| TC 60% | 20 | 3 | 2 | 1,112 | $1,029 | 922 | | $18,440 | $0.83 | $107.00 | $11.00 |
| MR | 1 | 3 | 2 | 1,112 | | 995 | | $995 | $0.89 | $107.00 | $11.00 |
| **TOTAL:** | 96 | | **AVERAGE:** | 974 | | $750 | | $72,002 | $0.77 | $97.00 | $11.00 |

| **INCOME** | Total Net Rentable Sq Ft: | 93,480 | | TDHCA | TDHCA - UW | APPLICATION | APPLICANT | COUNTY | IREM REGION | COMPT. REGION |
|---|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $864,024 | $844,080 | $844,056 | $864,000 | Tarrant | Fort Worth | 3 |
| Secondary Income | | Per Unit Per Month: | $7.32 | 8,436 | 8,640 | 8,640 | 8,436 | $7.32 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | | | $0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | $872,460 | $852,720 | $852,696 | $872,436 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (65,435) | (63,954) | (63,948) | (65,436) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | | | |
| EFFECTIVE GROSS INCOME | | | | $807,026 | $788,766 | $788,748 | $807,000 | | | |
| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | | | | PER SQ FT | PER UNIT | % OF EGI |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | TDHCA - UW | APPLICATION | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 3.91% | $329 | 0.34 | $31,588 | $41,477 | $25,120 | $32,400 | $0.35 | $338 | 4.01% |
| Management | | 5.00% | 420 | 0.43 | 40,351 | 33,016 | 40,320 | 40,350 | 0.43 | 420 | 5.00% |
| Payroll & Payroll Tax | | 12.33% | 1,036 | 1.06 | 99,503 | 105,391 | 91,200 | 92,500 | 0.99 | 964 | 11.46% |
| Repairs & Maintenance | | 6.57% | 552 | 0.57 | 53,019 | 53,549 | 62,400 | 48,000 | 0.51 | 500 | 5.95% |
| Utilities | | 2.95% | 248 | 0.25 | 23,832 | 23,994 | 24,000 | 11,000 | 0.12 | 115 | 1.36% |
| Water, Sewer, & Trash | | 2.08% | 175 | 0.18 | 16,776 | 16,614 | 24,000 | 37,000 | 0.40 | 385 | 4.58% |
| Property Insurance | | 2.98% | 250 | 0.26 | 24,010 | 25,446 | 24,000 | 24,000 | 0.26 | 250 | 2.97% |
| Property Tax | 2.864857 | 11.93% | 1,003 | 1.03 | 96,259 | 92,779 | 105,600 | 105,600 | 1.13 | 1,100 | 13.09% |
| Reserve for Replacements | | 2.97% | 250 | 0.26 | 24,000 | 24,000 | 24,000 | 24,000 | 0.26 | 250 | 2.97% |
| TDHCA Compliance Fees | | 0.48% | 40 | 0.04 | 3,840 | 3,680 | 3,680 | 3,500 | 0.04 | 36 | 0.43% |
| TCAP Asset Oversight Fees | | 0.57% | 48 | 0.05 | 4,600 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Other: cbl, supp servs, sec, contra | | 1.93% | 163 | 0.17 | 15,600 | 9,600 | 9,600 | 15,600 | 0.17 | 163 | 1.93% |
| TOTAL EXPENSES | | 53.70% | $4,514 | $4.64 | $433,378 | $429,546 | $433,920 | $433,950 | $4.64 | $4,520 | 53.77% |
| NET OPERATING INC | | 46.30% | $3,892 | $4.00 | $373,648 | $359,220 | $354,828 | $373,050 | $3.99 | $3,886 | 46.23% |
| **DEBT SERVICE** | | | | | | | | | | | |
| First Lien Mortgage | | 0.00% | $0 | $0.00 | $0 | $297,145 | $309,445 | | $0.00 | $0 | 0.00% |
| TCAP Permanent Loan Replacemer | | 34.72% | $2,919 | $3.00 | 280,186 | 0 | | 280,186 | $3.00 | $2,919 | 34.72% |
| City of Ft. Worth HOME Funds | | 0.00% | $0 | $0.00 | 0 | 0 | | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 11.58% | $974 | $1.00 | $93,462 | $62,075 | $45,383 | $92,864 | $0.99 | $967 | 11.51% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.33 | 1.21 | 1.15 | 1.33 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | | 1.19 | 1.18 | | | |

| **CONSTRUCTION COST** | | | | | | | | 204,975.00 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | TDHCA - UW | APPLICATION | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
| Acquisition Cost (site or bldg) | | 5.85% | $7,292 | $7.49 | $700,000 | $700,000 | $700,000 | $700,000 | $7.49 | $7,292 | 5.59% |
| Off-Sites | | 2.51% | 3,125 | 3.21 | 300,000 | 0 | 0 | 300,000 | 3.21 | 3,125 | 2.39% |
| Sitework | | 7.22% | 9,000 | 9.24 | 864,000 | 864,000 | 864,000 | 864,000 | 9.24 | 9,000 | 6.90% |
| Direct Construction | | 40.02% | 49,909 | 51.25 | 4,791,254 | 4,791,254 | 5,106,078 | 5,106,078 | 54.62 | 53,188 | 40.76% |
| Contingency | 3.61% | 1.71% | 2,127 | 2.18 | 204,177 | 204,177 | 204,177 | 204,177 | 2.18 | 2,127 | 1.63% |
| Contractor's Fees | 14.00% | 6.61% | 8,247 | 8.47 | 791,736 | 791,736 | 835,812 | 835,812 | 8.94 | 8,706 | 6.67% |
| Indirect Construction | | 13.53% | 16,875 | 17.33 | 1,620,000 | 1,617,320 | 1,617,320 | 1,620,000 | 17.33 | 16,875 | 12.93% |
| Ineligible Costs | | 2.96% | 3,697 | 3.80 | 354,914 | 493,787 | 493,787 | 354,914 | 3.80 | 3,697 | 2.83% |
| Developer's Fees | 15.00% | 11.18% | 13,939 | 14.32 | 1,338,175 | 1,322,606 | 1,376,000 | 1,392,000 | 14.89 | 14,500 | 11.11% |
| Interim Financing | | 5.43% | 6,771 | 6.95 | 650,000 | 548,888 | 548,888 | 650,000 | 6.95 | 6,771 | 5.19% |
| Reserves | | 2.98% | 3,719 | 3.82 | 357,068 | 121,000 | 121,000 | 501,068 | 5.36 | 5,219 | 4.00% |
| TOTAL COST | | 100.00% | $124,701 | $128.06 | $11,971,324 | $11,454,768 | $11,867,062 | $12,528,049 | $134.02 | $130,501 | 100.00% |
| **+ 10% Increase** | | | | | | 0 | $597,008 | | | | |
| **Total Cost** | | | | | | 11,454,768 | 12,464,070 | | | | |
| ***Construction Cost Recap*** | | *55.56%* | *$69,283* | *$71.15* | *$6,651,167* | | | *$7,010,067* | *$74.99* | *$73,022* | *55.95%* |

| **SOURCES OF FUNDS** | | | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 0.00% | $0 | $0.00 | $0 | $3,876,000 | $3,876,000 | | | Developer Fee Available |
| City of Ft. Worth HOME Funds | 0.00% | $0 | $0.00 | 0 | 300,000 | 300,000 | | 0 | $1,392,000 |
| **TCAP Permanent Loan Replacem** | 44.82% | $55,885 | $57.39 | 5,365,000 | 0 | | 5,365,000 | 5,365,000 | |
| HTC Syndication Proceeds | 57.32% | $71,473 | $73.40 | 6,861,367 | 7,402,558 | 7,402,558 | 6,856,099 | 6,856,099 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 2.56% | $3,197 | $3.28 | 306,950 | 288,504 | 288,504 | 306,950 | 306,950 | 22% |
| Additional (Excess) Funds Req'd | -4.69% | ($5,854) | ($6.01) | (561,993) | (412,294) | 597,008 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $11,971,324 | $11,454,768 | $12,464,070 | $12,528,049 | $12,528,049 | $1,170,357 |

**Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/08273**

## DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift* Residential Cost Handbook

Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | | $0 |
| Adjustments | | | | |
| Exterior Wall Finish | | | $0.00 | $0 |
| Elderly | | | 0.00 | 0 |
| 9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.42) | (226,222) |
| Floor Cover | | | 2.38 | 222,482 |
| Breezeways/Balconies | $22.95 | | 0.00 | 0 |
| Plumbing Fixtures | $835 | | 0.00 | 0 |
| Rough-ins | $410 | | 0.00 | 0 |
| Built-In Appliances | $1,800 | 96 | 1.85 | 172,800 |
| Exterior Stairs | $1,875 | | 0.00 | 0 |
| Enclosed Corridors | ($9.92) | | 0.00 | 0 |
| Heating/Cooling | | | 1.83 | 171,068 |
| Garages/Carports | | | 0.00 | 0 |
| Comm &/or Aux Bldgs | | | 0.00 | 0 |
| Other: fire sprinkler | $2.15 | 93,480 | 2.15 | 200,982 |
| SUBTOTAL | | | 5.79 | 541,111 |
| Current Cost Multiplier | 1.01 | | 0.06 | 5,411 |
| Local Multiplier | | | (5.79) | (541,111) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $0.06 | $5,411 |
| Plans, specs, survy, bld prm | 3.90% | | ($0.00) | ($211) |
| Interim Construction Interes | 3.38% | | (0.00) | (183) |
| Contractor's OH & Profit | 11.50% | | (0.01) | (622) |
| NET DIRECT CONSTRUCTION COSTS | | | $0.05 | $4,395 |

## PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **Primary** | $0 | Amort | 0 |
| Int Rate | 0.00% | DCR | #DIV/0! |
| **TCAP** | $5,365,000 | Amort | 360 |
| Int Rate | 3.25% | Subtotal DCR | 1.33 |
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.33 |

## RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

| | |
|---|---|
| Primary Debt Service | $0 |
| Secondary Debt Service | 222,188 |
| Additional Debt Service | 94,523 |
| NET CASH FLOW | $56,339 |

| | | | |
|---|---|---|---|
| **Primary** | $0 | Amort | 0 |
| Int Rate | 0.00% | DCR | #DIV/0! |
| **Secondary** | $3,763,807 | Amort | 360 |
| Int Rate | 4.25% | Subtotal DCR | 1.68 |
| **Additional** | $1,601,193 | Amort | 360 |
| Int Rate | 4.25% | Aggregate DCR | 1.18 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

| INCOME at 2.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $864,000 | $881,280 | $898,906 | $916,884 | $935,221 | $1,032,560 | $1,140,030 | $1,258,685 | $1,534,330 |
| Secondary Income | 8,436 | 8,605 | 8,777 | 8,952 | 9,131 | 10,082 | 11,131 | 12,290 | 14,981 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 872,436 | 889,885 | 907,682 | 925,836 | 944,353 | 1,042,642 | 1,151,161 | 1,270,975 | 1,549,311 |
| Vacancy & Collection Loss | (65,436) | (66,741) | (68,076) | (69,438) | (70,826) | (78,198) | (86,337) | (95,323) | (116,198) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $807,000 | $823,143 | $839,606 | $856,398 | $873,526 | $964,444 | $1,064,824 | $1,175,651 | $1,433,113 |
| EXPENSES at 3.00% | | | | | | | | | |
| General & Administrative | $32,400 | $33,372 | $34,373 | $35,404 | $36,466 | $42,275 | $49,008 | $56,814 | $76,353 |
| Management | 40,350 | 41,157 | 41,980 | 42,820 | 43,676 | 48,222 | 53,241 | 58,783 | 71,656 |
| Payroll & Payroll Tax | 92,500 | 95,275 | 98,133 | 101,077 | 104,110 | 120,692 | 139,915 | 162,199 | 217,982 |
| Repairs & Maintenance | 48,000 | 49,440 | 50,923 | 52,451 | 54,024 | 62,629 | 72,604 | 84,168 | 113,115 |
| Utilities | 11,000 | 11,330 | 11,670 | 12,020 | 12,381 | 14,353 | 16,638 | 19,289 | 25,922 |
| Water, Sewer & Trash | 37,000 | 38,110 | 39,253 | 40,431 | 41,644 | 48,277 | 55,966 | 64,880 | 87,193 |
| Insurance | 24,000 | 24,720 | 25,462 | 26,225 | 27,012 | 31,315 | 36,302 | 42,084 | 56,558 |
| Property Tax | 105,600 | 108,768 | 112,031 | 115,392 | 118,854 | 137,784 | 159,729 | 185,170 | 248,853 |
| Reserve for Replacements | 24,000 | 24,720 | 25,462 | 26,225 | 27,012 | 31,315 | 36,302 | 42,084 | 56,558 |
| Other | 19,100 | 19,673 | 20,263 | 20,871 | 21,497 | 24,921 | 28,890 | 33,492 | 45,010 |
| TOTAL EXPENSES | $433,950 | $446,565 | $459,551 | $472,917 | $486,677 | $561,781 | $648,597 | $748,963 | $999,200 |
| NET OPERATING INCOME | $373,050 | $376,578 | $380,056 | $383,481 | $386,850 | $402,663 | $416,227 | $426,689 | $433,913 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TCAP - Tranch A | 222,188 | 222,188 | 222,188 | 222,188 | 222,188 | 222,188 | 222,188 | 222,188 | 222,188 |
| TCAP - Tranch B | 94,523 | 94,523 | 94,523 | 94,523 | 94,523 | 94,523 | 94,523 | 94,523 | 94,523 |
| NET CASH FLOW | $56,339 | $59,867 | $63,345 | $66,770 | $70,139 | $85,952 | $99,516 | $109,978 | $117,202 |
| DEBT COVERAGE RATIO | 1.18 | 1.19 | 1.20 | 1.21 | 1.22 | 1.27 | 1.31 | 1.35 | 1.37 |

## HTC ALLOCATION ANALYSIS -Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/08273

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **Acquisition Cost** | | | | |
| Purchase of land | $700,000 | $700,000 | | |
| Purchase of buildings | | | | |
| **Off-Site Improvements** | $300,000 | $300,000 | | |
| **Sitework** | $864,000 | $864,000 | $864,000 | $864,000 |
| **Construction Hard Costs** | $5,106,078 | $4,791,254 | $5,106,078 | $4,791,254 |
| **Contractor Fees** | $835,812 | $791,736 | $835,811 | $791,736 |
| **Contingencies** | $204,177 | $204,177 | $204,177 | $204,177 |
| **Eligible Indirect Fees** | $1,620,000 | $1,620,000 | $1,620,000 | $1,620,000 |
| **Eligible Financing Fees** | $650,000 | $650,000 | $650,000 | $650,000 |
| **All Ineligible Costs** | $354,914 | $354,914 | | |
| **Developer Fees** | | | | |
| Developer Fees | $1,392,000 | $1,338,175 | $1,392,000 | $1,338,175 |
| **Development Reserves** | $501,068 | $357,068 | | |
| **TOTAL DEVELOPMENT COSTS** | $12,528,049 | $11,971,324 | $10,672,066 | $10,259,342 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $10,672,066 | $10,259,342 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $13,873,686 | $13,337,145 |
| Applicable Fraction | | 96% | 96% |
| **TOTAL QUALIFIED BASIS** | | $13,295,615 | $12,781,430 |
| Applicable Percentage | | 9.00% | 9.00% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $1,196,605 | $1,150,329 |
| **Syndication Proceeds** | **0.7444** | **$8,906,975** | **$8,562,512** |
| **Total Tax Credits (Eligible Basis Method)** | | **$1,196,605** | **$1,150,329** |
| **Syndication Proceeds** | | **$8,906,975** | **$8,562,512** |
| **Previously Awarded Tax Credits** | | **$921,081** | |
| **Syndication Proceeds** | | **$6,856,099** | |
| **Gap of Syndication Proceeds Needed** | | **$7,163,049** | |
| **Total Tax Credits (Gap Method)** | | **$962,318** | |

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

Real Estate Analysis Division
Underwriting Report TCAP ADDENDUM

REPORT DATE: 10/30/09 PROGRAM: R1 TCAP / 9% HTC FILE NUMBER: **09721/08273**

## DEVELOPMENT

### Four Seasons at Clear Creek

Location: Oak Grove Shelby and South Race Street Region: 3

City: Fort Worth County: Tarrant Zip: 76140 ☐ QCT ☐ DDA

Key Attributes: Family, Urban, New Construction, and Multifamily

## ALLOCATION

| | PREVIOUS REQUEST | | | **PREVIOUS RECOMMENDATION*** | | |
|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** |
| Housing Tax Credit (Annual) | $841,368 | | | **$921,081** | | |

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

| | CURRENT REQUEST | | | **CURRENT RECOMMENDATION*** | | | |
|---|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** | **Lien Position** |
| **TCAP INITIATIVES:** | | | | | | | |
| #2 Permanent Loan Replacement | $5,365,000 | 3.25% | 30/30 | **$5,365,000** | **4.25%** | **30/30** | **1st** |
| Housing Tax Credit (Annual) | $921,081 | | | **$921,081** | | | |

## CONDITIONS

1 Receipt, review and acceptance, by cost certification, of documentation verifying that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, as required by the QAP (10TAC§49.6(a)).

2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

## SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---|---|---|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 5 |
| 50% of AMI | 50% of AMI | 34 |
| 60% of AMI | 60% of AMI | 53 |

## ADDENDUM

Four Seasons at Clear Lake was originally underwritten during the 2008 9% HTC cycle and was approved for an annual tax credit allocation of $921,081 subject to conditions. The Applicant is now requesting to change the financing structure, including a request for TCAP funds. The Applicant has requested $5,365,000 under the Permanent Loan Replacement Initiative to replace the $3,876,000 MMA Financial permanent loan and fund a gap in financing due to higher total development costs.

In the TCAP application, the Applicant provided an updated rent schedule, expenses, sources and uses, and commitment for the syndication proceeds. The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the revised documentation provided.

The syndication rate decreased by $0.156, which significantly reduced syndication proceeds. Additionally, the Applicant's total development costs increased by $64K over the 10% cost increase approved by the Board in November 2008. The small increase in costs and decrease in syndication proceeds are offset by the replacement of the first lien debt and local HOME funds with a larger TCAP loan. Additionally, deferred developer fee will increase slightly, to $307K, from the Applicant's estimate at the time of the last underwriting review.

Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report for a full evaluation of the originally proposed development plan and structure.

## PROPOSED SITE

### HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consulting Engineers & Scientists    Date: 3/3/2008
Updated: 3/2/2009

Recognized Environmental Concerns (RECs) and Other Concerns:

- The ESA indicates that the site is located outside the 500-year Flood Hazard Area; however, based on the site survey provided by the Applicant, it appears the ESA conclusion is incorrect, and a portion of the site is located within Flood Hazard Zone AE.

Comments:

- "The Phase I Environmental Site Assessment ESA performed by Terracon on March 2, 2009 did not identify environmental concerns to the site. The findings of the noise study determined that no special mitigation for noise is necessary." (p. 3 of 5)
- The current TCAP application includes an environmental supplement that will be considered by the Department's HOME Division in conjunction with the U.S. Department of HUD as part of the environmental review under 24 CFR Parts 50 and 58.
- Receipt, review and acceptance, by cost certification, of documentation verifying that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, as required by the QAP (10TAC§49.6(a)) is a condition of this report.

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## OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant’s projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of January 1, 2009, maintained by the Housing Authority of the City of Fort Worth, from the 2009 program gross rent limits. Tenants will be required to pay electric, natural gas, water, and sewer costs. The Applicant’s secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant’s revised total annual operating expense projection at $4,520 per unit is within 5% of the Underwriter’s estimate of $4,514, derived from the TDHCA database, and third-party data sources. The Underwriter's estimate includes a TCAP Asset Oversight Fee of $50/unit/year, which the Applicant's estimate does not. If the fee was included in the Applicant's estimate, the Applicant's total expenses would still be within 5% of the Underwriter's, and the Applicant's DCR would fall to 1.32, which is within the Department's guidelines.

Conclusion:

The Applicant’s effective gross income, operating expenses, and net operating income are within 5% of the Underwriter’s estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year’s debt coverage ratio (DCR) of 1.33, which is within the Department’s DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

## ACQUISITION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| Land Only: 7.0 acres | $35,000 | Tax Year: | 2009 |
| | | Valuation by: | Tarrant CAD |
| | | Tax Rate: | 2.864857 |

### EVIDENCE of PROPERTY CONTROL

| | | | |
|---|---|---|---|
| Type: | Warranty Deed w/ Vendor's Lien & Closing Statement | Acreage: | 7.0 |
| Contract Expiration: | N/A | Valid Through Board Date? | N/A |
| Acquisition Cost: | $700,000 | Other: | Applicant is current owner |

This section intentionally left blank.

## CONSTRUCTION COST ESTIMATE EVALUATION

*COST SCHEDULE* Number of Revisions: None Date of Last Applicant Revision: N/A

Construction Cost:

In conjunction with the TCAP application the Applicant provided a revised total development cost schedule reflecting an overall increase in costs of $63,979 or less than 1% over the 10% increase allocated by the Board in November 2008. Reserve costs have also increased by $380,068. The Applicant was able to substantiate that $357,068 of reserve funds are required by the syndicator; therefore the Underwriter's analysis utilizes this reserve amount. Additionally, other eligible and ineligible costs have also shifted slightly according to the new cost schedule.

Conclusion:

The Applicant's current total development cost is $64K, or less than 1%, higher than their original costs including the additional 10% cost increase, and is therefore considered comparable. The Applicant's revised cost schedule will continue to be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $10,672,066 supports annual tax credits of $1,196,605. This figure will be compared to the Applicant's previously awarded credits and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

## REQUESTED FINANCING STRUCTURE

*SOURCES & USES* Number of Revisions: None Date of Last Applicant Revision: N/A

Source: Stearns Bank Type: **Interim Financing**

Principal: $6,500,000 Interest Rate: 7.25% ☐ Fixed Term: 24 months

Comments:

A variable interest rate equal to Wall Street Journal Prime Rate plus 1% at the time of closing with a floor interest rate of 7.25%. This index may change as often as daily.

Source: Capital Area Housing Finance Corporation Type: **Interim Financing**

Principal: $860,000 Interest Rate: AFR ☐ Fixed Term: PIS

Comments:

The interest rate will be the Applicable Federal Rate (AFR) at the time of loan closing.

Source: TCAP Permanent Loan Replacement Type: **Permanent Financing**

Principal: $5,365,000 Interest Rate: 3.25% ☒ Fixed Amort: 360 months

Lien Position: 1st

Source: Raymond James Type: **Syndication**

Proceeds: $6,856,099 Syndication Rate: 74.4% Anticipated HTC: $ 921,081

Comments:

The agreement requires operating reserves at a minimum of six (6) months of operating expenses and debt service.

Amount: $306,950 Type: **Deferred Developer Fees**

## CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the TCAP funds of $5,365,000 indicates the need for $7,163,049 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $962,318 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's previously awarded credits ($921,081), the gap-driven amount ($962,318), and eligible basis-derived estimate ($1,196,605), the Applicant's previously awarded credits of ($921,081) are recommended.

The Underwriter recommends a TCAP loan not to exceed $5,365,000 structured as a fully amortizing loan over 30 years at 4.25% interest rate. The Department's policy for the TCAP Permanent Loan Replacement Initiative states that "the interest rate shall be based on a rate required to yield a Debt Coverage Ratio within a range of 1.15 to 1.35 but shall not exceed the interest rate on the permanent first lien debt or 5%, whichever is higher." Because the development was found to be feasible by the Department based on the terms of the previously proposed permanent debt (including a 7.00% interest rate), the Underwriter used an initial rate equal to the previous permanent loan interest rate, adjusted downward based on the current projected NOI in order to reach a DCR within a range of 1.15 to 1.35. The resulting recommended interest rate, 4.25%, provides a discount to the rate at which the development was previously determined by the Department to be feasible. It is also recommended that the TCAP loan remain in a 1st lien position throughout the permanent loan repayment period.

The Underwriter's recommended financing structure indicates the need for $306,950 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within four years of stabilized operation.

| | | | |
|---|---|---|---|
| Underwriter: | *Carl Hoover* | Date: | October 30, 2009 |
| Manager of Real Estate Analysis: | *Audrey Martin* | Date: | October 30, 2009 |
| Director of Real Estate Analysis: | *Brent Stewart* | Date: | October 30, 2009 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/08273***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | Rent per Month | Rent per SF | Tnt-Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|
| TC 30% | 1 | 1 | 1 | 722 | $371 | 292 | $292 | $0.40 | $79.00 | $11.00 |
| TC 50% | 4 | 1 | 1 | 722 | $618 | 539 | $2,156 | $0.75 | $79.00 | $11.00 |
| TC 60% | 6 | 1 | 1 | 722 | $742 | 663 | $3,978 | $0.92 | $79.00 | $11.00 |
| MR | 1 | 1 | 1 | 722 | | 695 | $695 | $0.96 | $79.00 | $11.00 |
| TC 30% | 2 | 2 | 2 | 930 | $445 | 351 | $702 | $0.38 | $94.00 | $11.00 |
| TC 50% | 17 | 2 | 2 | 930 | $742 | 648 | $11,016 | $0.70 | $94.00 | $11.00 |
| TC 60% | 5 | 2 | 2 | 930 | $891 | 797 | $3,985 | $0.86 | $94.00 | $11.00 |
| TC 60% | 22 | 2 | 2 | 936 | $891 | 797 | $17,534 | $0.85 | $94.00 | $11.00 |
| MR | 2 | 2 | 2 | 936 | | 815 | $1,630 | $0.87 | $94.00 | $11.00 |
| TC 30% | 2 | 3 | 2 | 1,112 | $515 | 408 | $816 | $0.37 | $107.00 | $11.00 |
| TC 50% | 13 | 3 | 2 | 1,112 | $858 | 751 | $9,763 | $0.68 | $107.00 | $11.00 |
| TC 60% | 20 | 3 | 2 | 1,112 | $1,029 | 922 | $18,440 | $0.83 | $107.00 | $11.00 |
| MR | 1 | 3 | 2 | 1,112 | | 995 | $995 | $0.89 | $107.00 | $11.00 |
| **TOTAL:** | 96 | | **AVERAGE:** | 974 | | $750 | $72,002 | $0.77 | $97.00 | $11.00 |

| **INCOME** | Total Net Rentable Sq Ft: | 93,480 | | TDHCA | TDHCA - UW | APPLICATION | APPLICANT | COUNTY | IREM REGION | COMPT. REGION |
|---|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $864,024 | $844,080 | $844,056 | $864,000 | Tarrant | Fort Worth | 3 |
| Secondary Income | | Per Unit Per Month: | $7.32 | 8,436 | 8,640 | 8,640 | 8,436 | $7.32 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | | | $0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | $872,460 | $852,720 | $852,696 | $872,436 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (65,435) | (63,954) | (63,948) | (65,436) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | | | |
| EFFECTIVE GROSS INCOME | | | | $807,026 | $788,766 | $788,748 | $807,000 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 3.91% | $329 | 0.34 | $31,588 | $41,477 | $25,120 | $32,400 | $0.35 | $338 | 4.01% |
| Management | 5.00% | 420 | 0.43 | 40,351 | 33,016 | 40,320 | 40,350 | 0.43 | 420 | 5.00% |
| Payroll & Payroll Tax | 12.33% | 1,036 | 1.06 | 99,503 | 105,391 | 91,200 | 92,500 | 0.99 | 964 | 11.46% |
| Repairs & Maintenance | 6.57% | 552 | 0.57 | 53,019 | 53,549 | 62,400 | 48,000 | 0.51 | 500 | 5.95% |
| Utilities | 2.95% | 248 | 0.25 | 23,832 | 23,994 | 24,000 | 11,000 | 0.12 | 115 | 1.36% |
| Water, Sewer, & Trash | 2.08% | 175 | 0.18 | 16,776 | 16,614 | 24,000 | 37,000 | 0.40 | 385 | 4.58% |
| Property Insurance | 2.98% | 250 | 0.26 | 24,010 | 25,446 | 24,000 | 24,000 | 0.26 | 250 | 2.97% |
| Property Tax 2.864857 | 11.93% | 1,003 | 1.03 | 96,259 | 92,779 | 105,600 | 105,600 | 1.13 | 1,100 | 13.09% |
| Reserve for Replacements | 2.97% | 250 | 0.26 | 24,000 | 24,000 | 24,000 | 24,000 | 0.26 | 250 | 2.97% |
| TDHCA Compliance Fees | 0.48% | 40 | 0.04 | 3,840 | 3,680 | 3,680 | 3,500 | 0.04 | 36 | 0.43% |
| TCAP Asset Oversight Fees | 0.57% | 48 | 0.05 | 4,600 | 0 | 0 | 0 | 0.00 | 0 | 0.00% |
| Other: cbl, supp servs, sec, contra | 1.93% | 163 | 0.17 | 15,600 | 9,600 | 9,600 | 15,600 | 0.17 | 163 | 1.93% |
| TOTAL EXPENSES | 53.70% | $4,514 | $4.64 | $433,378 | $429,546 | $433,920 | $433,950 | $4.64 | $4,520 | 53.77% |
| NET OPERATING INC | 46.30% | $3,892 | $4.00 | $373,648 | $359,220 | $354,828 | $373,050 | $3.99 | $3,886 | 46.23% |
| **DEBT SERVICE** | | | | | | | | | | |
| First Lien Mortgage | 0.00% | $0 | $0.00 | $0 | $297,145 | $309,445 | | $0.00 | $0 | 0.00% |
| TCAP Permanent Loan Replaceme | 34.72% | $2,919 | $3.00 | 280,186 | 0 | | 280,186 | $3.00 | $2,919 | 34.72% |
| City of Ft. Worth HOME Funds | 0.00% | $0 | $0.00 | 0 | 0 | | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | 11.58% | $974 | $1.00 | $93,462 | $62,075 | $45,383 | $92,864 | $0.99 | $967 | 11.51% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.33 | 1.21 | 1.15 | 1.33 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.19 | 1.18 | | | |

**CONSTRUCTION COST** 204,975.00

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | TDHCA - UW | APPLICATION | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 5.85% | $7,292 | $7.49 | $700,000 | $700,000 | $700,000 | $700,000 | $7.49 | $7,292 | 5.59% |
| Off-Sites | | 2.51% | 3,125 | 3.21 | 300,000 | 0 | 0 | 300,000 | 3.21 | 3,125 | 2.39% |
| Sitework | | 7.22% | 9,000 | 9.24 | 864,000 | 864,000 | 864,000 | 864,000 | 9.24 | 9,000 | 6.90% |
| Direct Construction | | 40.02% | 49,909 | 51.25 | 4,791,254 | 4,791,254 | 5,106,078 | 5,106,078 | 54.62 | 53,188 | 40.76% |
| Contingency | 3.61% | 1.71% | 2,127 | 2.18 | 204,177 | 204,177 | 204,177 | 204,177 | 2.18 | 2,127 | 1.63% |
| Contractor's Fees | 14.00% | 6.61% | 8,247 | 8.47 | 791,736 | 791,736 | 835,812 | 835,812 | 8.94 | 8,706 | 6.67% |
| Indirect Construction | | 13.53% | 16,875 | 17.33 | 1,620,000 | 1,617,320 | 1,617,320 | 1,620,000 | 17.33 | 16,875 | 12.93% |
| Ineligible Costs | | 2.96% | 3,697 | 3.80 | 354,914 | 493,787 | 493,787 | 354,914 | 3.80 | 3,697 | 2.83% |
| Developer's Fees | 15.00% | 11.18% | 13,939 | 14.32 | 1,338,175 | 1,322,606 | 1,376,000 | 1,392,000 | 14.89 | 14,500 | 11.11% |
| Interim Financing | | 5.43% | 6,771 | 6.95 | 650,000 | 548,888 | 548,888 | 650,000 | 6.95 | 6,771 | 5.19% |
| Reserves | | 2.98% | 3,719 | 3.82 | 357,068 | 121,000 | 121,000 | 501,068 | 5.36 | 5,219 | 4.00% |
| TOTAL COST | | 100.00% | $124,701 | $128.06 | $11,971,324 | $11,454,768 | $11,867,062 | $12,528,049 | $134.02 | $130,501 | 100.00% |
| **+ 10% Increase** | | | | | | 0 | $597,008 | | | | |
| **Total Cost** | | | | | | 11,454,768 | 12,464,070 | | | | |
| ***Construction Cost Recap*** | | *55.56%* | ***$69,283*** | ***$71.15*** | ***$6,651,167*** | | | ***$7,010,067*** | ***$74.99*** | ***$73,022*** | *55.95%* |

| **SOURCES OF FUNDS** | | | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|---|---|
| First Lien Mortgage | 0.00% | $0 | $0.00 | $0 | $3,876,000 | $3,876,000 | | | Developer Fee Available |
| City of Ft. Worth HOME Funds | 0.00% | $0 | $0.00 | 0 | 300,000 | 300,000 | | 0 | $1,392,000 |
| **TCAP Permanent Loan Replacem** | 44.82% | $55,885 | $57.39 | 5,365,000 | 0 | | 5,365,000 | 5,365,000 | |
| HTC Syndication Proceeds | 57.32% | $71,473 | $73.40 | 6,861,367 | 7,402,558 | 7,402,558 | 6,856,099 | 6,856,099 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 2.56% | $3,197 | $3.28 | 306,950 | 288,504 | 288,504 | 306,950 | 306,950 | 22% |
| Additional (Excess) Funds Req'd | -4.69% | ($5,854) | ($6.01) | (561,993) | (412,294) | 597,008 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $11,971,324 | $11,454,768 | $12,464,070 | $12,528,049 | $12,528,049 | $1,170,357 |

**Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/08273**

**DIRECT CONSTRUCTION COST ESTIMATE**
*Marshall & Swift* Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | | $0 |
| Adjustments | | | | |
| Exterior Wall Finish | | | $0.00 | $0 |
| Elderly | | | 0.00 | 0 |
| 9-Ft. Ceilings | | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (2.42) | (226,222) |
| Floor Cover | | | 2.38 | 222,482 |
| Breezeways/Balconies | $22.95 | | 0.00 | 0 |
| Plumbing Fixtures | $835 | | 0.00 | 0 |
| Rough-ins | $410 | | 0.00 | 0 |
| Built-In Appliances | $1,800 | 96 | 1.85 | 172,800 |
| Exterior Stairs | $1,875 | | 0.00 | 0 |
| Enclosed Corridors | ($9.92) | | 0.00 | 0 |
| Heating/Cooling | | | 1.83 | 171,068 |
| Garages/Carports | | | 0.00 | 0 |
| Comm &/or Aux Bldgs | | | 0.00 | 0 |
| Other: fire sprinkler | $2.15 | 93,480 | 2.15 | 200,982 |
| SUBTOTAL | | | 5.79 | 541,111 |
| Current Cost Multiplier | 1.01 | | 0.06 | 5,411 |
| Local Multiplier | | | (5.79) | (541,111) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $0.06 | $5,411 |
| Plans, specs, survy, bld prm | 3.90% | | ($0.00) | ($211) |
| Interim Construction Interes | 3.38% | | (0.00) | (183) |
| Contractor's OH & Profit | 11.50% | | (0.01) | (622) |
| NET DIRECT CONSTRUCTION COSTS | | | $0.05 | $4,395 |

**PAYMENT COMPUTATION**

| | | | |
|---|---|---|---|
| **Primary** | $0 | Amort | 0 |
| Int Rate | 0.00% | DCR | #DIV/0! |
| **TCAP** | $5,365,000 | Amort | 360 |
| Int Rate | 3.25% | Subtotal DCR | 1.33 |
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.33 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

| | |
|---|---|
| Primary Debt Service | $0 |
| Secondary Debt Service | 316,711 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $56,339 |

| | | | |
|---|---|---|---|
| **Primary** | $0 | Amort | 0 |
| Int Rate | 0.00% | DCR | #DIV/0! |
| **Secondary** | $5,365,000 | Amort | 360 |
| Int Rate | 4.25% | Subtotal DCR | 1.18 |
| **Additional** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.18 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

| INCOME at 2.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $864,000 | $881,280 | $898,906 | $916,884 | $935,221 | $1,032,560 | $1,140,030 | $1,258,685 | $1,534,330 |
| Secondary Income | 8,436 | 8,605 | 8,777 | 8,952 | 9,131 | 10,082 | 11,131 | 12,290 | 14,981 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 872,436 | 889,885 | 907,682 | 925,836 | 944,353 | 1,042,642 | 1,151,161 | 1,270,975 | 1,549,311 |
| Vacancy & Collection Loss | (65,436) | (66,741) | (68,076) | (69,438) | (70,826) | (78,198) | (86,337) | (95,323) | (116,198) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $807,000 | $823,143 | $839,606 | $856,398 | $873,526 | $964,444 | $1,064,824 | $1,175,651 | $1,433,113 |
| EXPENSES at 3.00% | | | | | | | | | |
| General & Administrative | $32,400 | $33,372 | $34,373 | $35,404 | $36,466 | $42,275 | $49,008 | $56,814 | $76,353 |
| Management | 40,350 | 41,157 | 41,980 | 42,820 | 43,676 | 48,222 | 53,241 | 58,783 | 71,656 |
| Payroll & Payroll Tax | 92,500 | 95,275 | 98,133 | 101,077 | 104,110 | 120,692 | 139,915 | 162,199 | 217,982 |
| Repairs & Maintenance | 48,000 | 49,440 | 50,923 | 52,451 | 54,024 | 62,629 | 72,604 | 84,168 | 113,115 |
| Utilities | 11,000 | 11,330 | 11,670 | 12,020 | 12,381 | 14,353 | 16,638 | 19,289 | 25,922 |
| Water, Sewer & Trash | 37,000 | 38,110 | 39,253 | 40,431 | 41,644 | 48,277 | 55,966 | 64,880 | 87,193 |
| Insurance | 24,000 | 24,720 | 25,462 | 26,225 | 27,012 | 31,315 | 36,302 | 42,084 | 56,558 |
| Property Tax | 105,600 | 108,768 | 112,031 | 115,392 | 118,854 | 137,784 | 159,729 | 185,170 | 248,853 |
| Reserve for Replacements | 24,000 | 24,720 | 25,462 | 26,225 | 27,012 | 31,315 | 36,302 | 42,084 | 56,558 |
| Other | 19,100 | 19,673 | 20,263 | 20,871 | 21,497 | 24,921 | 28,890 | 33,492 | 45,010 |
| TOTAL EXPENSES | $433,950 | $446,565 | $459,551 | $472,917 | $486,677 | $561,781 | $648,597 | $748,963 | $999,200 |
| NET OPERATING INCOME | $373,050 | $376,578 | $380,056 | $383,481 | $386,850 | $402,663 | $416,227 | $426,689 | $433,913 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TCAP Loan | 316,711 | 316,711 | 316,711 | 316,711 | 316,711 | 316,711 | 316,711 | 316,711 | 316,711 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $56,339 | $59,867 | $63,345 | $66,770 | $70,139 | $85,952 | $99,516 | $109,978 | $117,202 |
| DEBT COVERAGE RATIO | 1.18 | 1.19 | 1.20 | 1.21 | 1.22 | 1.27 | 1.31 | 1.35 | 1.37 |

## TC ALLOCATION ANALYSIS -Four Seasons at Clear Creek, Fort Worth, R1 TCAP / 9% HTC #09721/082

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **Acquisition Cost** | | | | |
| Purchase of land | $700,000 | $700,000 | | |
| Purchase of buildings | | | | |
| **Off-Site Improvements** | $300,000 | $300,000 | | |
| **Sitework** | $864,000 | $864,000 | $864,000 | $864,000 |
| **Construction Hard Costs** | $5,106,078 | $4,791,254 | $5,106,078 | $4,791,254 |
| **Contractor Fees** | $835,812 | $791,736 | $835,811 | $791,736 |
| **Contingencies** | $204,177 | $204,177 | $204,177 | $204,177 |
| **Eligible Indirect Fees** | $1,620,000 | $1,620,000 | $1,620,000 | $1,620,000 |
| **Eligible Financing Fees** | $650,000 | $650,000 | $650,000 | $650,000 |
| **All Ineligible Costs** | $354,914 | $354,914 | | |
| **Developer Fees** | | | | |
| Developer Fees | $1,392,000 | $1,338,175 | $1,392,000 | $1,338,175 |
| **Development Reserves** | $501,068 | $357,068 | | |
| **TOTAL DEVELOPMENT COSTS** | $12,528,049 | $11,971,324 | $10,672,066 | $10,259,342 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $10,672,066 | $10,259,342 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $13,873,686 | $13,337,145 |
| Applicable Fraction | | 96% | 96% |
| **TOTAL QUALIFIED BASIS** | | $13,295,615 | $12,781,430 |
| Applicable Percentage | | 9.00% | 9.00% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $1,196,605 | $1,150,329 |
| **Syndication Proceeds** | **0.7444** | **$8,906,975** | **$8,562,512** |

| | | |
|---|---|---|
| **Total Tax Credits (Eligible Basis Method)** | **$1,196,605** | **$1,150,329** |
| **Syndication Proceeds** | **$8,906,975** | **$8,562,512** |
| **Previously Awarded Tax Credits** | **$921,081** | |
| **Syndication Proceeds** | **$6,856,099** | |
| **Gap of Syndication Proceeds Needed** | **$7,163,049** | |
| **Total Tax Credits (Gap Method)** | **$962,318** | |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 03/05/09 PROGRAM: 9% HTC FILE NUMBER: **08273**

## DEVELOPMENT

### Four Seasons at Clear Creek

Location: Oak Grove Shelby and South Race Street Region: 3

City: Fort Worth County: Tarrant Zip: 76140 ☐ QCT ☐ DDA

Key Attributes: Family, Urban, New Construction, and Multifamily

## ALLOCATION

| | REQUEST | | | **RECOMMENDATION*** | | |
|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** |
| Housing Tax Credit (Annual) | $841,368 | | | **$921,081** | | |

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

## CONDITIONS

1. Receipt, review and acceptance, by cost certification, of documentation verifying that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, as required by the QAP (10TAC§50.6(a)).
2. Receipt, review and acceptance of Terracon's report of the further evaluation in regards to a noise assessment study.
3. Receipt, review and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old, including firm commitments from the City of Fort Worth for both the interim and permanent HOME funds, with all terms and conditions clearly stated.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

## SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---|---|---|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 5 |
| 50% of AMI | 50% of AMI | 34 |
| 60% of AMI | 60% of AMI | 53 |

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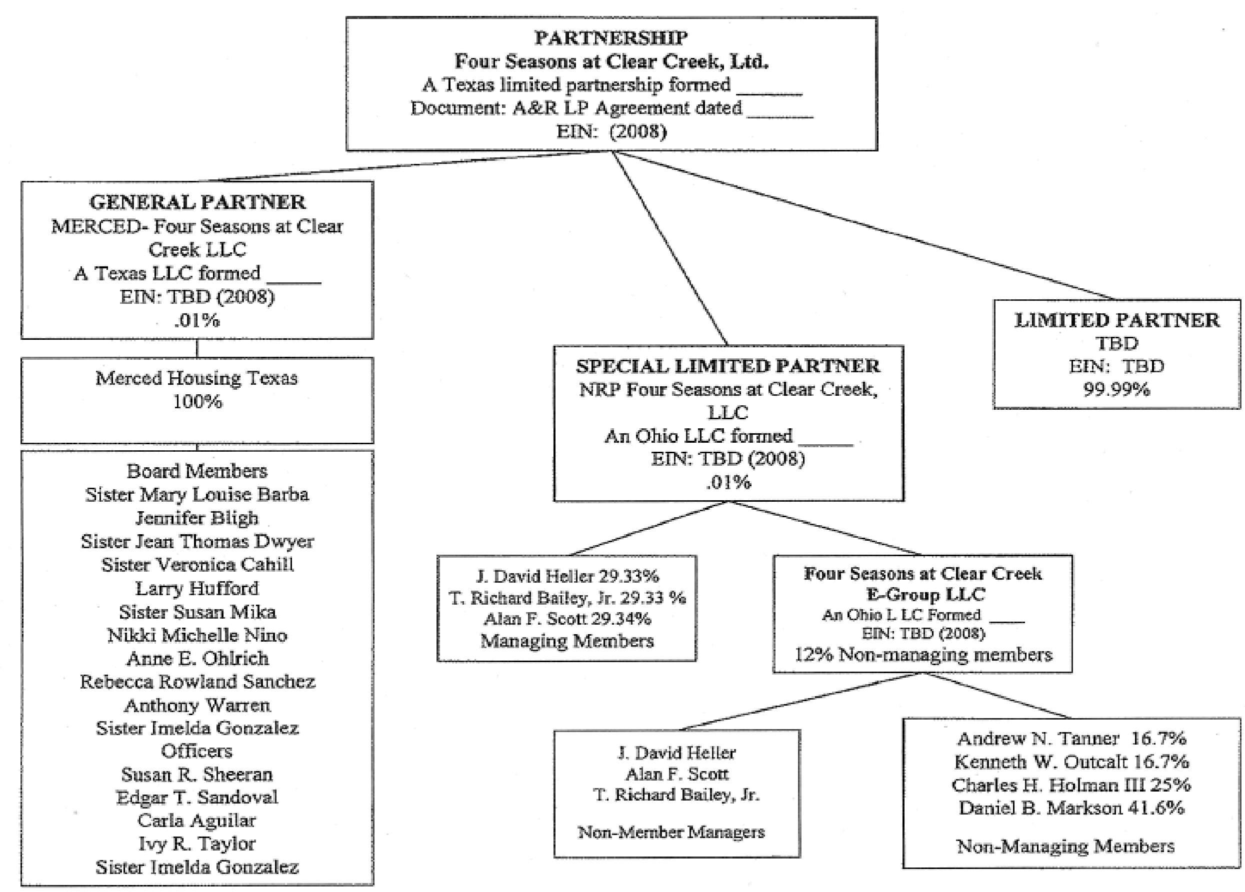
| PROS | CONS |
|---|---|
| ▫ The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary. | ▫ The equity commitment indicates an extraordinarily high price, but references an allocation amount much lower than that requested by the Applicant, and indicates syndication proceeds $2 million short of the sources and uses document. |

## PREVIOUS UNDERWRITING REPORTS

None

## DEVELOPMENT TEAM

### OWNERSHIP STRUCTURE




### CONTACT

| | | | | | |
|---|---|---|---|---|---|
| Contact: | Susan R. Sheeran | Phone: | (210) 281-0234 | Fax: | (210) 281-0238 |
| Email: | susan@mercedhousingtexas.org | | | | |

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## KEY PARTICIPANTS

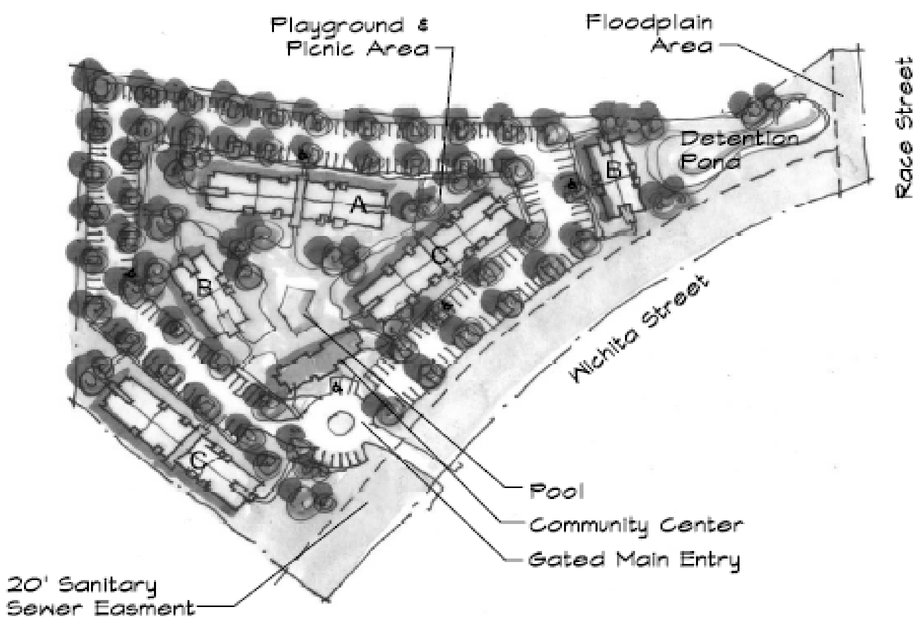
| Name | Financial Notes | # Completed Developments |
|---|---|---|
| Merced Housing Texas | N/A | 6 |
| NRP Holdings, LLC | N/A | 15 |
| NRP Contractors, LLC | N/A | 15 |
| Alan F. Scott | N/A | 15 |
| Ted R. Bailey, Jr. | N/A | 15 |
| J. David Heller | N/A | 15 |

## IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

## PROPOSED SITE

### SITE PLAN




### BUILDING CONFIGURATION

| Building Type | A | B | C | | | | | | | | Total Buildings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Floors/Stories | 3 | 3 | 3 | | | | | | | | |
| Number | 1 | 2 | 2 | | | | | | | | **5** |

| BR/BA | SF | Units | | | | | | | | | | Total Units | Total SF |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/1 | 722 | | | 6 | | | | | | | | 12 | 8,664 |
| 2/2 | 930 | | 12 | | | | | | | | | 24 | 22,320 |
| 2/2 | 936 | 12 | | 6 | | | | | | | | 24 | 22,464 |
| 3/2 | 1,112 | 12 | | 12 | | | | | | | | 36 | 40,032 |
| Units per Building | | 24 | 12 | 24 | | | | | | | | **96** | **93,480** |

## SITE ISSUES

Total Size: 7.0± acres
Scattered site? [ ] Yes [x] No
Flood Zone: X, AE
Within 100-yr floodplain? [X] Yes [ ] No
Zoning: B & C
Needs to be re-zoned? [ ] Yes [x] No [ ] N/A

Comments:

This zoning allows the use of Two-Family and Multi-Family.

The site survey provided by the Applicant indicates that "a portion of the surveyed property ... lies within the special flood hazard area designated as Zone AE". The application acknowledges that the site is within a Hazard Area but the development is designed as required by program rules. Any recommended funding will be subject to receipt, review, and acceptance, by cost certification, of documentation verifying that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, as required by the QAP (10TAC§50.6(a)).

## TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff
Date: 4/3/2008

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Pasture land
East: Race Street
South: Pasture land
West: Pasture land

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consulting Engineers & Scientists
Date: 3/3/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Based on the findings of this assessment, Terracon recommends further evaluation be conducted with regards to a noise assessment study." (p. 20) This will be a condition of this report.

Comments:

- Based on the scope of services, limitations, and findings of this assessment, Terracon did not identify RECs which, in our opinion, warrant additional investigation at this time. (p. 20)

The ESA indicates that the site is located outside the 500-year Flood Hazard Area; however, based on the site survey provided by the Applicant, it appears the ESA conclusion is incorrect, and a portion of the site is located within Flood Hazard Zone AE.

## MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, LP
Date: 2/28/2008

Contact: Robert O. Coe, II
Phone: (713) 686-9955
Fax: (713) 686-8336

Number of Revisions: None
Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 46.07 square miles (3.8 miles radius)

"The subject's primary market is defined as that area within the following geographic boundaries: Zip Codes 76133, 76134, and 76140: Interstate 20 and the railroad tracks to the north; Village Creek, the railroad tracks, Dick Price Road, CR2025, and Teague Road to the east; Hopper Road, the railroad tracks, Oak Grove Road, and Deer Creek to the south; and the railroad tracks and Old Granbury Road to the west." (p. 10)

Secondary Market Area (SMA):

A secondary market was not identified in the Market Study.

| PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| PMA | | | | outside the PMA | | | |
| Name | File # | Total Units | Comp Units | Name | File # | Total Units | Comp Units |
| The Residences at Sunset Pointe | 060609 | 224 | 224 | Sphinx at Alsbury Villas | 060087 | 150 | 150 |

| INCOME LIMITS | | | | | | |
|---|---|---|---|---|---|---|
| Tarrant | | | | | | |
| % AMI | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 30 | $13,600 | $15,500 | $17,450 | $19,400 | $20,950 | $22,500 |
| 50 | $22,600 | $25,850 | $29,050 | $32,300 | $34,900 | $37,450 |
| 60 | $27,120 | $31,020 | $34,860 | $38,760 | $41,880 | $44,940 |

| MARKET ANALYST'S PMA DEMAND by UNIT TYPE | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unit Type | Turnover Demand | Growth Demand | Other Demand | Total Demand | Subject Units | Unstabilized Comparable (PMA) | Capture Rate |
| 1BR / 30% Rent Limit | 116 | 2 | 0 | 118 | 1 | 0 | 0.8% |
| 1BR / 50% Rent Limit | 189 | 5 | 0 | 194 | 4 | 0 | 2.1% |
| 1BR / 60% Rent Limit | 221 | 5 | 0 | 226 | 6 | 0 | 2.7% |
| 2BR / 30% Rent Limit | 68 | 0 | 0 | 68 | 2 | 0 | 2.9% |
| 2BR / 50% Rent Limit | 133 | 0 | 0 | 133 | 17 | 0 | 12.8% |
| 2BR / 60% Rent Limit | 168 | 1 | 0 | 169 | 27 | 0 | 16.0% |
| 3BR / 30% Rent Limit | 105 | -3 | 0 | 102 | 2 | 0 | 2.0% |
| 3BR / 50% Rent Limit | 207 | -4 | 0 | 203 | 13 | 0 | 6.4% |
| 3BR / 60% Rent Limit | 249 | 1 | 0 | 250 | 20 | 0 | 8.0% |

| OVERALL DEMAND | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Target Households | | Household Size | | Income Eligible | | Tenure | | Demand | |
| PMA DEMAND from TURNOVER | | | | | | | | | | | | |
| Market Analyst | p. | 88 | 100% | 34,461 | 96% | 32,914 | included in Tenure % | | 17% | 5,599 | 60% | 3,359 |
| Underwriter | | | 100% | 34,470 | 96% | 32,923 | 35% | 11,423 | 49% | 5,600 | 60% | 3,360 |
| PMA DEMAND from HOUSEHOLD GROWTH | | | | | | | | | | | | |
| Market Analyst | p. | 88 | | | 96% | 542 | included in Tenure % | | 17% | 92 | 100% | 92 |
| Underwriter | | | | | 96% | 559 | 35% | 185 | 49% | 91 | 100% | 91 |
| SMA DEMAND from TURNOVER | | | | | | | | | | | | |
| Market Analyst | p. | | | | | | | | | | | |
| Underwriter | | | #DIV/0! | #DIV/0! | 0% | #DIV/0! | 0% | #DIV/0! | 0% | #DIV/0! | 0% | 0 |
| DEMAND from OTHER SOURCES | | | | | | | | | | | | |
| Market Analyst | p. | 87 | | | | | | | | | | 108 |
| Underwriter | | | | | | | | | | | | 108 |

| INCLUSIVE CAPTURE RATE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Subject Units | Unstabilized Comparable (PMA) | Unstabilized Comparable (25% SMA) | Total Supply | Total Demand | Inclusive Capture Rate |
| Market Analyst | p. | 89 | 92 | 0 | 0 | 92 | 3,559 | 2.58% |
| Underwriter | | | 92 | 224 | 150 | 466 | 3,559 | 13.09% |
| HISTA-Based Data Alternate | | | 92 | 224 | 150 | 466 | 1,946 | 24.0% |

Supply and Demand Analysis:

When determining the comparable supply, the Market Analyst failed to consider the Residences at Sunset Point (TDHCA #060609), an affordable family project in the PMA with 224 units which has not achieved stabilization. The underwriting analysis has also identified another unstabilized family property, Sphinx at Alsbury Villas (TDHCA #060087), with 150 units; while outside the defined PMA, Sphinx is actually closer to the subject that Sunset Pointe. The underwriting analysis will take the most conservative approach and include both properties.

The Market Analyst identified total demand for 3,559 units, and considered only the 92 subjects units as the supply, concluding an inclusive capture rate of 3%. The underwriting analysis considers an equivalent total demand, but factors in the units at Residences at Sunset Pointe and Sphinx at Alsbury Villas in addition to the subject; this leads to a conservative inclusive capture rate of 13%, well below the 25% maximum.

HISTA Data is an alternative demographic source that provides a more detailed breakdown of the data based on household size, income, tenure, and age. This allows a more restrictive demand analysis based on specific unit types. The Department considers this analysis for information purposes, but does not use it as a basis for feasibility conclusions. Nevertheless, the unit-specific demand analysis indicates an acceptable inclusive capture rate of 24%.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 91% to 99%, with a median occupancy of 93.40%. The average occupancy for comparable apartments in the subject's primary market area was reported at 84.54% in the most recent O'Connor Data survey (January 2008). According to the survey, occupancy in the primary market area in December 2007 has increased slightly from the prior quarter. Average occupancy in the primary market area has remained in the high 80% to mid 90's since June 2002. The fluctuations were due to new product coming on-line. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 56)

Absorption Projections:

"Absorption in the subject's primary market area over the past twelve quarters ending December 2007 totals (125) units. Absorption has been positive in five of the past twelve quarters, and in each of the most recent four quarters. Absorption over the past three years has averaged (10) units per quarter. Absorption has been limited due to the moderate recent construction, the high existing occupancy, and renters opting for home purchases. Additionally, absorption was negatively impacted by several projects in renovation." (p. 53)

| RENT ANALYSIS (Tenant-Paid Net Rents) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Unit Type (% AMI) | | | Proposed Rent | Program Maximum | Market Rent | Underwriting Rent | Savings Over Market |
| 1 BR | 722 SF | 30% | $284 | $284 | $695 | $284 | $411 |
| 1 BR | 722 SF | 50% | $526 | $526 | $695 | $526 | $169 |
| 1 BR | 722 SF | 60% | $647 | $647 | $695 | $647 | $48 |
| 1 BR | 722 SF | MR | $695 | N/A | $695 | $695 | $0 |
| 2 BR | 930 SF | 30% | $341 | $342 | $815 | $342 | $473 |
| 2 BR | 930 SF | 50% | $632 | $632 | $815 | $632 | $183 |
| 2 BR | 930 SF | 60% | $777 | $777 | $815 | $777 | $38 |
| 2 BR | 936 SF | 60% | $777 | $777 | $815 | $777 | $38 |
| 2 BR | 936 SF | MR | $815 | N/A | $815 | $815 | $0 |
| 3 BR | 1,112 SF | 30% | $397 | $397 | $995 | $397 | $598 |
| 3 BR | 1,112 SF | 50% | $733 | $733 | $995 | $733 | $262 |
| 3 BR | 1,112 SF | 60% | $901 | $901 | $995 | $901 | $94 |
| 3 BR | 1,112 SF | MR | $995 | N/A | $995 | $995 | $0 |

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 12)

Comments:

The Market Analyst has provided a market study that meets the Department's guidelines and results in an inclusive capture rate below the 25% maximum for family transactions.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 3 units per square mile, which is less than the 1,432 units per square mile limit; and a Primary Market Area concentration of 62 units per square mile, which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

## OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of April 2, 2007, maintained by The Fort Worth Housing Authority from the 2008 program gross rent limits. Tenants will be required to pay all utility costs including water and sewer. The projected rents are achievable based on the market rents determined by the Market Analyst.

The Applicant's estimate of secondary income and vacancy and collection loss is within the Department's guidelines. Overall the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at $4,520 per unit is within 1% of the Underwriter's estimate of $4,474, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: general & administrative ($16.4K lower), payroll & payroll tax ($14.2K lower), water, sewer & trash ($7.4K higher), and property tax ($12.8K higher).

Conclusion:

The Applicant's total effective gross income, operating expense and net operating income are all within 5% of the Underwriter's estimate; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The Applicant's projections and proposed financing provide a first-year debt coverage ratio of 1.19, within the underwriting limits of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible for the long-term.

## ACQUISITION INFORMATION

### ASSESSED VALUE

| | | | | |
|---|---|---|---|---|
| Land Only: 75.3 acres | $263,498 | Tax Year: | 2008 |
| Prorated 1 acre: | $3,500 | Valuation by: | Tarrant Appraisal District |
| Land Only: 7± acres | $24,500 | Tax Rate: | 2.761277 |

### EVIDENCE of PROPERTY CONTROL

Type: Agreement to Purchase Unimproved Real Estate    Acreage: 7±

Contract Expiration: 11/30/2008    Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $700,000    Other:

Seller: Clear Creek Residential Partners    Related to Development Team? [ ] Yes [x] No

## CONSTRUCTION COST ESTIMATE EVALUATION

*COST SCHEDULE* Number of Revisions: None    Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of $100,000 per acre or $7,292 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of $9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $315K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $10,552,274 supports annual tax credits of $910,134 based on the full 9% applicable percentage, as approved by the TDHCA Board on November 13, 2008.

In addition the Board approved an increase in the credit amount for all 2008 transactions based on an additional 10% of direct construction and site work cost as contingency. In this case the adjusted cost results in an additional $597,008 in eligible basis and $51,492 in additional credit. The total eligible credit of $961,626 will be compared to the amount determined by the gap in financing to determine any recommended allocation.

## FINANCING STRUCTURE

*SOURCES & USES* Number of Revisions: None    Date of Last Applicant Revision: N/A

Source: MMA Financial LLC    Type: **Interim Financing**

Principal: $8,700,000    Interest Rate: 6.5%    [x] Fixed    Term: 36 months

Comments:

The rate will be locked concurrently with the closing of the construction loan, thereby protecting the project from interest rate volatility during the construction period.

*SOURCES & USES* Number of Revisions: One Date of Last Applicant Revision: 10/28/2008

Source: City of Fort Worth - HOME Type: **Interim Financing**

Principal: $860,000 Interest Rate: AFR ☐ Fixed Term: Placed in service date

Comments:

The interest rate will be the Applicable Federal Rate (AFR) at the time of loan closing. Repayment of this loan will be based on available cash flow from operations, sale and refinancing. The sources and uses indicates that $560,000 will be paid down, with permanent funds, leaving a long-term principal balance of $300,000.

Source: MMA Financial LLC Type: **Permanent Financing**

Principal: $3,876,000 Interest Rate: 7.0% ☒ Fixed Amort: 420 months

Comments:

The interest rate is subject to change based on the market conditions.

Source: City of Fort Worth - HOME Type: **Permanent Financing**

Principal: $300,000 Interest Rate: AFR ☐ Fixed Amort: 0 months

Comments:

The interest rate will be the Applicable Federal Rate (AFR) at the time of loan closing. Repayment of this loan will be based on available cash flow from operations, sale and refinancing.

Source: Red Stone Type: **Syndication**

Proceeds: $5,468,167 Syndication Rate: 90% Anticipated HTC: $607,696

Comments:

The letter from Red Stone Equity Partners dated November 1, 2008, indicates a syndication price of $0.90 per dollar of tax credits. However, the letter only refers to an expected credit allocation of $607,696 per year, and invested equity "in the minimum amount of $5,468,167". This amount is $2 million less than the equity indicated on the most recent sources and uses document.

The equity quote indicates an unrealistically high credit price for the current market; as a result the recommended allocation is limited to the gap in financing. At the other extreme, if the actual syndication price falls below $0.72 per credit, the additional funds required would exceed the available developer fee, and the financial viability of the project would be in question.

Amount: $288,504 Type: **Deferred Developer Fees**

## CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions based on the 9% credit rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5%; therefore, their cost will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

This section intentionally left blank.

The Applicant's total development cost estimate (including the 10% increase) less the permanent debt of $4,176,000 indicates the need for $8,288,070 in gap funds. Based on the submitted syndication rate of $0.90 per credit, a tax credit allocation of $921,081 annually would be required to fill this gap in financing. Of the two possible tax credit amounts, the gap-driven amount ($921,081) and the eligible basis derived amount ($961,626), the amount based on the gap in financing is recommended. An allocation of $921,081 results in equity proceeds of $8,288,070.

The Underwriter's recommended financing structure does not indicate the need for any additional permanent funds.

| | | | |
|---|---|---|---|
| Underwriter: | *Carl Hoover* | Date: | March 5, 2009 |
| Reviewing Underwriter: | *Raquel Morales* | Date: | March 5, 2009 |
| Director of Real Estate Analysis: | *Tom Gouris* | Date: | March 5, 2009 |

# MULTIFAMILY COMPARATIVE ANALYSIS

***Four Seasons at Clear Creek, Fort Worth, 9% HTC #08273***

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | Rent per Month | Applicant | Market | Rent per SF | Tnt-Pd Util | Trash Only |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TC 30% | 1 | 1 | 1 | 722 | $363 | $284 | $284 | $284 | $695 | $0.39 | $79.00 | $11.00 |
| TC 50% | 4 | 1 | 1 | 722 | $605 | $526 | $2,104 | $526 | $695 | $0.73 | $79.00 | $11.00 |
| TC 60% | 6 | 1 | 1 | 722 | $726 | $647 | $3,882 | $647 | $695 | $0.90 | $79.00 | $11.00 |
| MR | 1 | 1 | 1 | 722 | $0 | $695 | $695 | $695 | $695 | $0.96 | $79.00 | $11.00 |
| TC 30% | 2 | 2 | 2 | 930 | $436 | $342 | $684 | $341 | $815 | $0.37 | $94.00 | $11.00 |
| TC 50% | 17 | 2 | 2 | 930 | $726 | $632 | $10,744 | $632 | $815 | $0.68 | $94.00 | $11.00 |
| TC 60% | 5 | 2 | 2 | 930 | $871 | $777 | $3,885 | $777 | $815 | $0.84 | $94.00 | $11.00 |
| TC 60% | 22 | 2 | 2 | 936 | $871 | $777 | $17,094 | $777 | $815 | $0.83 | $94.00 | $11.00 |
| MR | 2 | 2 | 2 | 936 | $0 | $815 | $1,630 | $815 | $815 | $0.87 | $94.00 | $11.00 |
| TC 30% | 2 | 3 | 2 | 1,112 | $504 | $397 | $794 | $397 | $995 | $0.36 | $107.00 | $11.00 |
| TC 50% | 13 | 3 | 2 | 1,112 | $840 | $733 | $9,529 | $733 | $995 | $0.66 | $107.00 | $11.00 |
| TC 60% | 20 | 3 | 2 | 1,112 | $1,008 | $901 | $18,020 | $901 | $995 | $0.81 | $107.00 | $11.00 |
| MR | 1 | 3 | 2 | 1,112 | $0 | $995 | $995 | $995 | $995 | $0.89 | $107.00 | $11.00 |
| **TOTAL:** | 96 | | **AVERAGE:** | 974 | | $733 | $70,340 | | | $0.75 | $97.00 | $11.00 |

| **INCOME** | Total Net Rentable Sq Ft: | 93,480 | | TDHCA | APPLICANT | COUNTY | IREM REGION | COMPT. REGION |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $844,080 | $844,056 | Tarrant | Fort Worth | 3 |
| Secondary Income | | Per Unit Per Month: | $7.50 | 8,640 | 8,640 | $7.50 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | | $0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | $852,720 | $852,696 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (63,954) | (63,948) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $788,766 | $788,748 | | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.26% | $432 | 0.44 | $41,477 | $25,120 | $0.27 | $262 | 3.18% |
| Management | | 4.19% | 344 | 0.35 | 33,016 | 40,320 | 0.43 | 420 | 5.11% |
| Payroll & Payroll Tax | | 13.36% | 1,098 | 1.13 | 105,391 | 91,200 | 0.98 | 950 | 11.56% |
| Repairs & Maintenance | | 6.79% | 558 | 0.57 | 53,549 | 62,400 | 0.67 | 650 | 7.91% |
| Utilities | | 3.04% | 250 | 0.26 | 23,994 | 24,000 | 0.26 | 250 | 3.04% |
| Water, Sewer, & Trash | | 2.11% | 173 | 0.18 | 16,614 | 24,000 | 0.26 | 250 | 3.04% |
| Property Insurance | | 3.23% | 265 | 0.27 | 25,446 | 24,000 | 0.26 | 250 | 3.04% |
| Property Tax | 2.761277 | 11.76% | 966 | 0.99 | 92,779 | 105,600 | 1.13 | 1,100 | 13.39% |
| Reserve for Replacements | | 3.04% | 250 | 0.26 | 24,000 | 24,000 | 0.26 | 250 | 3.04% |
| TDHCA Compliance Fees | | 0.47% | 38 | 0.04 | 3,680 | 3,680 | 0.04 | 38 | 0.47% |
| Other: Supp. Serv. | | 1.22% | 100 | 0.10 | 9,600 | 9,600 | 0.10 | 100 | 1.22% |
| TOTAL EXPENSES | | 54.46% | $4,474 | $4.60 | $429,546 | $433,920 | $4.64 | $4,520 | 55.01% |
| NET OPERATING INC | | 45.54% | $3,742 | $3.84 | $359,220 | $354,828 | $3.80 | $3,696 | 44.99% |
| **DEBT SERVICE** | | | | | | | | | |
| MMA Financial | | 37.67% | $3,095 | $3.18 | $297,145 | $309,445 | $3.31 | $3,223 | 39.23% |
| City of Fort Worth - HOME | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| Additional Financing | | 0.00% | $0 | $0.00 | 0 | | $0.00 | $0 | 0.00% |
| NET CASH FLOW | | 7.87% | $647 | $0.66 | $62,075 | $45,383 | $0.49 | $473 | 5.75% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | 1.21 | 1.15 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.19 | | | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.11% | $7,292 | $7.49 | $700,000 | $700,000 | $7.49 | $7,292 | 5.62% |
| Off-Sites | | 0.00% | 0 | 0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 7.54% | 9,000 | 9.24 | 864,000 | 864,000 | 9.24 | 9,000 | 6.93% |
| Direct Construction | | 41.83% | 49,909 | 51.25 | 4,791,254 | 5,106,078 | 54.62 | 53,188 | 40.97% |
| Contingency | 3.61% | 1.78% | 2,127 | 2.18 | 204,177 | 204,177 | 2.18 | 2,127 | 1.64% |
| Contractor's Fees | 14.00% | 6.91% | 8,247 | 8.47 | 791,736 | 835,812 | 8.94 | 8,706 | 6.71% |
| Indirect Construction | | 14.12% | 16,847 | 17.30 | 1,617,320 | 1,617,320 | 17.30 | 16,847 | 12.98% |
| Ineligible Costs | | 4.31% | 5,144 | 5.28 | 493,787 | 493,787 | 5.28 | 5,144 | 3.96% |
| Developer's Fees | 15.00% | 11.55% | 13,777 | 14.15 | 1,322,606 | 1,376,000 | 14.72 | 14,333 | 11.04% |
| Interim Financing | | 4.79% | 5,718 | 5.87 | 548,888 | 548,888 | 5.87 | 5,718 | 4.40% |
| Reserves | | 1.06% | 1,260 | 1.29 | 121,000 | 121,000 | 1.29 | 1,260 | 0.97% |
| TOTAL COST | | 100.00% | $119,321 | $122.54 | $11,454,768 | $12,464,070 | $133.33 | $129,834 | 100.00% |
| ***Construction Cost Recap*** | | *58.06%* | ***$69,283*** | ***$71.15*** | ***$6,651,167*** | ***$7,010,067*** | ***$74.99*** | ***$73,022*** | *56.24%* |

| **SOURCES OF FUNDS** | % | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| MMA Financial | 33.84% | $40,375 | $41.46 | $3,876,000 | $3,876,000 | $3,876,000 | Developer Fee Available |
| City of Fort Worth - HOME | 2.62% | $3,125 | $3.21 | 300,000 | 300,000 | 300,000 | $1,376,000 |
| HTC Syndication Proceeds | 64.62% | $77,110 | $79.19 | 7,402,558 | 7,402,558 | 8,288,070 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 2.52% | $3,005 | $3.09 | 288,504 | 288,504 | | 0% |
| Additional (Excess) Funds Req'd | -3.60% | ($4,295) | ($4.41) | (412,294) | 597,008 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $11,454,768 | $12,464,070 | $12,464,070 | $1,546,922 |

***Four Seasons at Clear Creek, Fort Worth, 9% HTC #08273***

**DIRECT CONSTRUCTION COST ESTIMATE**

*Marshall & Swift* Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $54.16 | $5,062,977 |
| Adjustments | | | | |
| Exterior Wall Finish | | | $0.00 | $0 |
| Elderly | | | 0.00 | 0 |
| 9-Ft. Ceilings | 3.00% | | 1.62 | 151,889 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (0.82) | (76,965) |
| Floor Cover | | | 2.43 | 227,156 |
| Breezeways/Balconies | $22.95 | 7,296 | 1.79 | 167,443 |
| Plumbing Fixtures | $805 | 252 | 2.17 | 202,860 |
| Rough-ins | $400 | 192 | 0.82 | 76,800 |
| Built-In Appliances | $1,850 | 96 | 1.90 | 177,600 |
| Exterior Stairs | $1,800 | 32 | 0.62 | 57,600 |
| Enclosed Corridors | $44.24 | | 0.00 | 0 |
| Heating/Cooling | | | 1.90 | 177,612 |
| Garages/Carports | | | 0.00 | 0 |
| Comm &/or Aux Bldgs | $78.68 | 1,867 | 1.57 | 146,900 |
| Other: fire sprinkler | $1.95 | 93,480 | 1.95 | 182,286 |
| SUBTOTAL | | | 70.11 | 6,554,159 |
| Current Cost Multiplier | 1.00 | | 0.00 | 0 |
| Local Multiplier | 0.90 | | (7.01) | (655,416) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $63.10 | $5,898,743 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.46) | ($230,051) |
| Interim Construction Interest | 3.38% | | (2.13) | (199,083) |
| Contractor's OH & Profit | 11.50% | | (7.26) | (678,355) |
| NET DIRECT CONSTRUCTION COSTS | | | $51.25 | $4,791,254 |

**PAYMENT COMPUTATION**

| | | | |
|---|---|---|---|
| **Primary** | $3,876,000 | Amort | 420 |
| Int Rate | 7.00% | DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Secondary** | $300,000 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional** | $7,402,558 | Amort | |
| Int Rate | | Aggregate DCR | 1.21 |

**RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:**

| | |
|---|---|
| Primary Debt Service | $297,145 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | $57,683 |

| | | | |
|---|---|---|---|
| **Primary** | $3,876,000 | Amort | 420 |
| Int Rate | 7.00% | DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Secondary** | $300,000 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.19 |

| | | | |
|---|---|---|---|
| **Additional** | $7,402,558 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.19 |

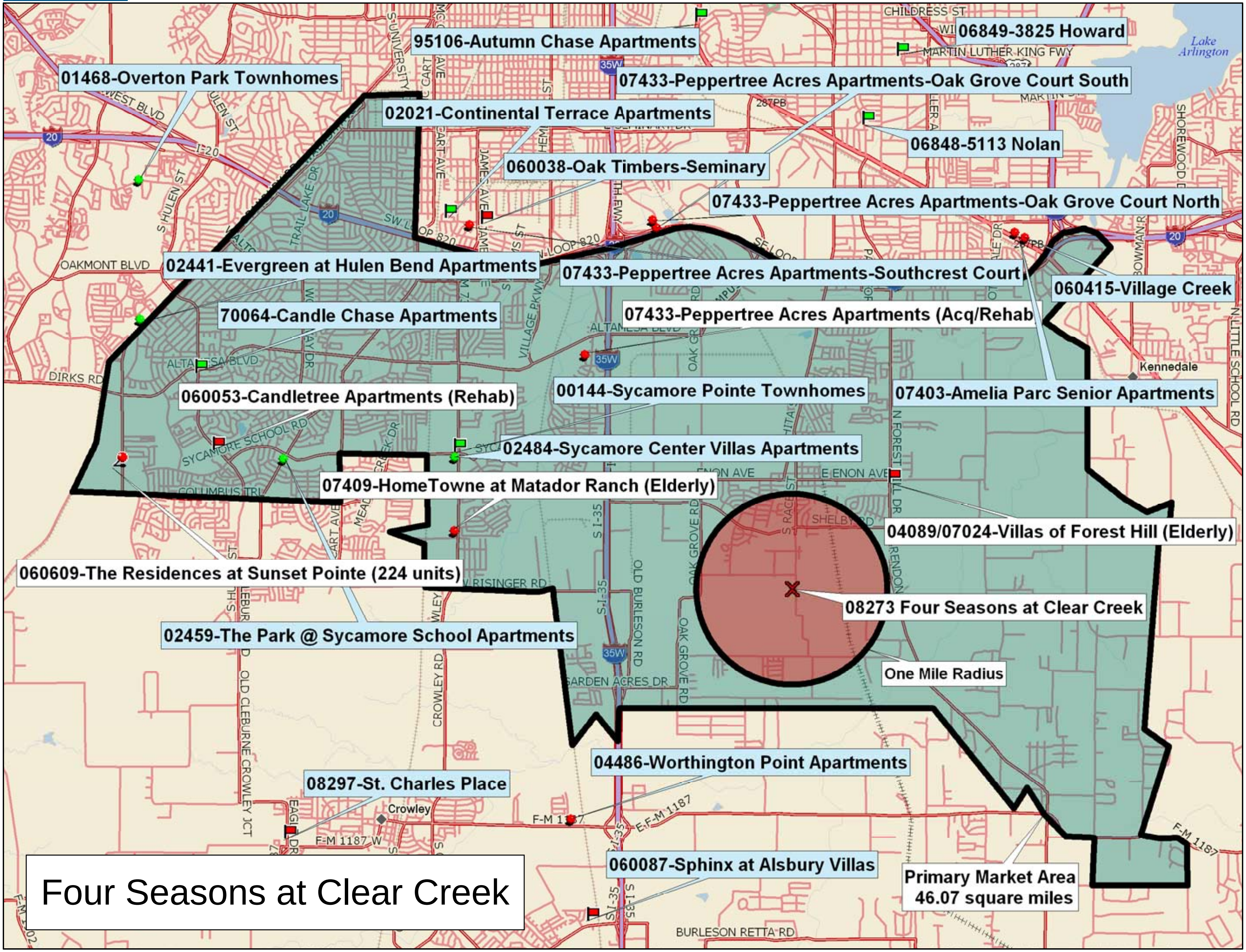
**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)**

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $844,056 | $869,378 | $895,459 | $922,323 | $949,992 | $1,101,302 | $1,276,710 | $1,480,057 | $1,989,073 |
| Secondary Income | 8,640 | 8,899 | 9,166 | 9,441 | 9,724 | 11,273 | 13,069 | 15,150 | 20,361 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 852,696 | 878,277 | 904,625 | 931,764 | 959,717 | 1,112,575 | 1,289,779 | 1,495,208 | 2,009,434 |
| Vacancy & Collection Loss | (63,948) | (65,871) | (67,847) | (69,882) | (71,979) | (83,443) | (96,733) | (112,141) | (150,708) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $788,748 | $812,406 | $836,778 | $861,882 | $887,738 | $1,029,132 | $1,193,046 | $1,383,067 | $1,858,726 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | $25,120 | $26,125 | $27,170 | $28,257 | $29,387 | $35,754 | $43,500 | $52,924 | $78,341 |
| Management | 40,320 | 41,529 | 42,775 | 44,059 | 45,380 | 52,608 | 60,987 | 70,701 | 95,016 |
| Payroll & Payroll Tax | 91,200 | 94,848 | 98,642 | 102,588 | 106,691 | 129,806 | 157,929 | 192,145 | 284,421 |
| Repairs & Maintenance | 62,400 | 64,896 | 67,492 | 70,192 | 72,999 | 88,815 | 108,057 | 131,467 | 194,604 |
| Utilities | 24,000 | 24,960 | 25,958 | 26,997 | 28,077 | 34,159 | 41,560 | 50,564 | 74,848 |
| Water, Sewer & Trash | 24,000 | 24,960 | 25,958 | 26,997 | 28,077 | 34,159 | 41,560 | 50,564 | 74,848 |
| Insurance | 24,000 | 24,960 | 25,958 | 26,997 | 28,077 | 34,159 | 41,560 | 50,564 | 74,848 |
| Property Tax | 105,600 | 109,824 | 114,217 | 118,786 | 123,537 | 150,302 | 182,865 | 222,483 | 329,330 |
| Reserve for Replacements | 24,000 | 24,960 | 25,958 | 26,997 | 28,077 | 34,159 | 41,560 | 50,564 | 74,848 |
| Other | 13,280 | 13,811 | 14,364 | 14,938 | 15,536 | 18,902 | 22,997 | 27,979 | 41,416 |
| TOTAL EXPENSES | $433,920 | $450,873 | $468,493 | $486,805 | $505,837 | $612,824 | $742,575 | $899,957 | $1,322,517 |
| NET OPERATING INCOME | $354,828 | $361,533 | $368,285 | $375,077 | $381,901 | $416,308 | $450,471 | $483,110 | $536,209 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $297,145 | $297,145 | $297,145 | $297,145 | $297,145 | $297,145 | $297,145 | $297,145 | $297,145 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $57,683 | $64,388 | $71,140 | $77,932 | $84,757 | $119,163 | $153,326 | $185,965 | $239,064 |
| DEBT COVERAGE RATIO | 1.19 | 1.22 | 1.24 | 1.26 | 1.29 | 1.40 | 1.52 | 1.63 | 1.80 |

# HTC ALLOCATION ANALYSIS -Four Seasons at Clear Creek, Fort Worth, 9% HTC #08273

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS | 10% Increase |
|---|---|---|---|---|---|
| **Acquisition Cost** | | | | | |
| Purchase of land | $700,000 | $700,000 | | | |
| Purchase of buildings | | | | | |
| **Off-Site Improvements** | | | | | |
| **Sitework** | $864,000 | $864,000 | $864,000 | $864,000 | $86,400 |
| **Construction Hard Costs** | $5,106,078 | $4,791,254 | $5,106,078 | $4,791,254 | $510,608 |
| **Contractor Fees** | $835,812 | $791,736 | $835,811 | $791,736 | |
| **Contingencies** | $204,177 | $204,177 | $204,177 | $204,177 | |
| **Eligible Indirect Fees** | $1,617,320 | $1,617,320 | $1,617,320 | $1,617,320 | |
| **Eligible Financing Fees** | $548,888 | $548,888 | $548,888 | $548,888 | |
| **All Ineligible Costs** | $493,787 | $493,787 | | | |
| **Developer Fees** | | | | | |
| Developer Fees | $1,376,000 | $1,322,606 | $1,376,000 | $1,322,606 | |
| **Development Reserves** | $121,000 | $121,000 | | | |
| **TOTAL DEVELOPMENT COSTS** | $11,867,062 | $11,454,768 | $10,552,274 | $10,139,981 | $597,008 |

| | | | | | |
|---|---|---|---|---|---|
| **Deduct from Basis:** | | | | | |
| All grant proceeds used to finance costs in eligible basis | | | | | |
| B.M.R. loans used to finance cost in eligible basis | | | | | |
| Non-qualified non-recourse financing | | | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | | | |
| Historic Credits (on residential portion only) | | | | | |
| **TOTAL ELIGIBLE BASIS** | | | $10,552,274 | $10,139,981 | $597,008 |
| High Cost Area Adjustment | | | 100% | 100% | 100% |
| **TOTAL ADJUSTED BASIS** | | | $10,552,274 | $10,139,981 | $597,008 |
| Applicable Fraction | | | 96% | 96% | 96% |
| **TOTAL QUALIFIED BASIS** | | | $10,112,596 | $9,717,482 | $572,132 |
| Applicable Percentage | | | 9.00% | 9.00% | 9.00% |
| **TOTAL AMOUNT OF TAX CREDITS** | | | $910,134 | $874,573 | $51,492 |
| **Syndication Proceeds** | | **0.8998** | **$8,189,560** | **$7,869,582** | **$463,334** |
| **Total Tax Credits (Eligible Basis Method)** | | | **$910,134** | **$874,573** | **$961,626** |
| **Syndication Proceeds** | | | **$8,189,560** | **$7,869,582** | **$8,652,894** |
| **Requested Tax Credits** | | | **$841,368** | | |
| **Syndication Proceeds** | | | **$7,570,793** | | |
| **Gap of Syndication Proceeds Needed** | | | **$8,288,070** | **$7,278,768** | |
| **Total Tax Credits (Gap Method)** | | | **$921,081** | **$808,914** | |






TN
MN (4.6°E)

Scale 1 : 87,500
1" = 1.38 mi
Data Zoom 11-2

**Magnolia Trails, LP**
26302 Oak Ridge Drive, Suite 100
Spring, Texas 77380
(713) 906-4460
(281) 419-1991 Fax
dkoogler@mark-dana.com

October 14, 2010

10-18-2010 RCVD

Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701-2410
Attn.: Mr. Ben Sheppard
Multifamily Housing Specialist – HTC Amendments

Re: Amendment Request
Magnolia Trails (TDHCA # 10061), Magnolia, TX

Dear Ben:

Magnolia Trails, LP ("MT") received housing tax credits for Magnolia Trails under the 2010 Qualified Allocation Plan ("QAP"). Magnolia Trails will consist of 80 units for seniors.

The purchase agreement for the land as amended by the first amendment (the "Purchase Agreement") that MT submitted with its tax credit application (see copies attached to this letter) provides for the purchase of a 9.896 acre tract of land (the "Property") from The Power Partnership (the "Seller"). In addition, the Purchase Agreement provides that the Magnolia, Texas Magnolia Bible Church (the "Church"), the owner of the land north of and adjacent to the Property, would construct, operate and maintain a regional detention pond at the Church's expense on the Property for the use of the Church and MT. Pursuant to the Purchase Agreement, if Church and Seller, with the consent of MT, enter into agreements for ownership, construction and maintenance of the detention pond acceptable to MT and Seller prior to closing and the detention pond is completed or likely to be completed in time for use by MT, MT may reduce the Property purchased by the size (1.35 acres) of the detention pond reserve ("Reserve C" or "Detention Pond Reserve" (see Exhibit C attached to the first amendment of the Purchase Agreement)). (Note that even though the site acreage will be reduced by 1.35 acres, MT will still have the use of those same 1.35 acres for its detention requirements.) In consideration of locating the detention pond on Reserve C and receiving access to all detention capacity required by MT at no cost or liability to MT, the reduction in the size of the Property does not result in an adjustment of the Purchase Price. The Church and the Seller and the Seller and MT have entered into detention pond agreements acceptable to MT.

Reduction of Site Acreage In Accordance With Terms Of Purchase Agreement

We are requesting an amendment to approve the reduction of the Property purchased from approximately 9.896 acres to approximately 8.5 acres as contemplated by the Purchase Agreement and Site Plan – Alternate #3 submitted with the MT tax credit application.

Please note the following:

1. MT submitted alternative site plans with its tax credit application. MT will use Site Plan – Alternate #3 (see copy of Site Plan – Alternate #3 attached to this letter) submitted with its tax credit application (which is also the site plan used in the Department's Underwriting Report dated 07/14/10).

2. MT's site work costs should not change because the cost saving associated with not building the detention pond will be offset with the cost of having to import fill dirt needed for creating the proper drainage flow and leveling of the site. Had MT kept the land for, and built, the detention pond, MT would be able to use dirt excavated from the detention pond site drainage and leveling.

3. Even though the size of MT's property will be reduced by 1.35 acres for the detention pond, MT will still have the use of those 1.35 acres for its detention needs.

4. The Church has begun construction of the detention pond and contemplates completion by the end of October. Not having to construct the detention pond will speed up the construction timeline for MT.

5. By not owning the land containing the detention pond, MT reduces liability that may be associated with owning a detention pond.

6. We are working to close the purchase of the land, the tax credit investment and construction financing as soon as possible prior to the end of this year.

We request that TDHCA approve the reduction of the site acreage as set forth above.

Administrative Process and Amendment Fee

Even though we are requesting approval for a reduction in site acreage of more than ten percent which results in a modification of residential density of more than 5%, we believe that this request should be processed administratively; because (i) these changes were contemplated in the Purchase Agreement and the Underwriting Report, (ii) even though MT will not own the Detention Pond Reserve, MT will still have the right to use the

Detention Pond Reserve for its detention requirements, and (iii) these changes do not alter the development in a negative manner.

Please accept the enclosed check for $2,500 to pay for processing this amendment.

Consideration by TDHCA Board

If the Executive Director is unable to grant the requested amendment, we would like this request to be automatically considered by the Board at the November 10 Board meeting.

We appreciate your consideration of our request. If you have any questions, please contact me at (713) 906-4460.

Sincerely,

David M. Koogler
Chairman and CEO of Sole Member of
General Partner of Magnolia Trails, LP

cc: Mr. Tom Gouris via email w/encls.

# COMMERCIAL CONTRACT – UNIMPROVED PROPERTY

10-18-2010 RCVD

1. **PARTIES:** Seller agrees to sell and convey to Buyer the Property described in Paragraph 2. Buyer agrees to buy the Property from Seller for the sales price stated in Paragraph 3. The parties to this Contract are:

   Seller: The Power Partnership
   Address: 1427 Keefer Road, Tomball, TX 77375
   Phone: 281-351-5467 Fax: 281-351-0354
   E-Mail: robwhit@erawhitaker.com

   Buyer: Mark-Dana Corporation and/or assigns or nominees
   Address: 26302 Oak Ridge Dr., Suite 100, Spring, TX 77380
   Phone: 713-906-4460 Fax: 281-491-1991
   E-Mail: dkoogler@mark-dana.com

2. **PROPERTY:**

   A. "Property" means that real property situated in Montgomery County, Texas at Nichols Sawmill Road *(address)* and that is legally described as follows:

   A 9.896 acre tract of land in the Gamble Dawson survey, Abstract No. 177, in Montgomery County, Texas, out of and a part of that certain called 19.790 acre tract of land described in deed recorded under Clerk's File No. 2005-085932 of the Official Public Records of Real Property of Montgomery County, Texas, more particularly described on Exhibit A attached hereto and made a part hereof for all purposes.

   B. Seller will sell and convey the Property together with:

   (1) all rights, privileges, and appurtenances pertaining to the Property, including Seller's right, title, and interest in any minerals, utilities, adjacent streets, alleys, strips, gores, and rights-of-way;
   (2) Seller's interest in all leases, rents, and security deposits for all or part of the Property; and
   (3) Seller's interest in all licenses and permits related to the Property;

   (Describe any exceptions, reservations, or restrictions in Paragraph 12 or an addendum.)

3. **SALES PRICE:**

   **A.** At or before closing, Buyer will pay the following sales price for the Property:

   (1) Cash portion payable by Buyer at closing.......................................... $ 369,302.04

   (2) Sum of all financing described in Paragraph 4.................................. $ 180,000.00

   (3) Sales price (sum of 3A (1) and 3A (2)) ...............................................$ 549,302.04

Initialed for Identification by Buyer ____ and Seller ____, ____

B. Adjustment to Sales Price: (Check (1) or (2) only.)

☒ (1) The sales price will not be adjusted based on a survey;

☐ (2) The sales price will be adjusted based on the latest survey obtained under Paragraph 6B.

(a) The sales price is calculated on the basis of $ N/A per square foot of total area.

(b) "Total area" means all land area within the perimeter boundaries of the Property. "Net area" means total area less any area of the Property within:

☐ (i) public roadways;

☐ (ii) rights-of-way and easements other than those that directly provide utility services to the Property; and

☐ (iii) N/A

(c) If the sales price is adjusted by more than N/A % of the stated sales price, either party may terminate this contract by providing written notice to the other party within N/A days after the terminating party receives the survey. If neither party terminates this contract or if the variance is less than the stated percentage, the adjustment to the sales price will be made to the cash portion of the sales price payable by Buyer.

4. **FINANCING:** Buyer will finance the portion of the sales price under Paragraph 3A (2) as follows:

☐ A. Third Party Financing: One or more third party loans in the total amount of $__________.
This contract:
☐ (1) is not contingent upon Buyer obtaining third party financing.
☐ (2) is contingent upon Buyer obtaining third party financing in accordance with the attached Commercial Contract Financing Addendum.

☐ B. Assumption: In accordance with the attached Commercial Contract Financing Addendum, Buyer will assume the existing promissory note secured by the Property, which balance at closing will be $__________.

☒ C. Seller Financing: The delivery of a promissory note and deed of trust from Buyer to Seller under the terms of the attached Exhibit B in the amount of $ 180,000.00 .

5. **EARNEST MONEY:**

A. Not later than 5:00PM CDT on the third business day after the effective date, Buyer must deposit $10,000.00 as earnest money with Stewart Title, Attn: Toni Vaughn ,(escrow agent) at 1610 Woodstead Court, Suite 100, The Woodlands, TX 77380 (address). If Buyer fails to timely deposit the earnest money, Seller may terminate this contract by providing written notice to Buyer before Buyer deposits the earnest money and may exercise Seller's remedies under Paragraph 15.

B. Buyer will deposit an additional amount of $ N/A with the escrow agent to be made part of the earnest money on or before:
☐ (i) N/A days after Buyer's right to terminate under Paragraph 7B expires; or
☐ (ii) N/A .
Buyer will be in default if Buyer fails to deposit the additional amount required by this Paragraph 5B within 3 days after Seller notifies Buyer that Buyer has not timely deposited the additional amount.

C. Buyer may instruct the escrow agent to deposit the earnest money in an interest-bearing account at a federally insured financial institution and to credit any interest to Buyer. Any interest earned on the earnest money shall be added to and become a part of the earnest money, and any such interest shall be disbursed or applied in the same manner as the original principal amount under the terms of this Contract. Once the earnest money is delivered to Seller, no interest shall accrue thereon, and Seller shall not be responsible to Buyer for, and Buyer shall not be entitled to, any interest on said earnest money so delivered to Seller.

D. All earnest money (including any accrued interest thereon) shall be applied to the sales price at closing.

E. In the event that the terms of this Contract require that the entirety of the earnest money be returned to Buyer, to the extent that Seller has received disbursement of any portion of the earnest money, Seller agrees to reimburse such portion of the earnest money directly to Buyer.

**6. TITLE POLICY AND SURVEY:**

A. Title Policy:

(1) Seller, at Seller's expense, will furnish Buyer an Owner's Policy of Title Insurance (the title policy) issued by Stewart Title (title company) in the amount of the sales price, dated at or after closing, insuring Buyer against loss under the title policy, subject only to:
(a) those title exceptions permitted by this contract or as may be approved by Buyer in writing; and
(b) the standard printed exceptions contained in the promulgated form of title policy unless this contract provides otherwise.

(2) The standard printed exception as to discrepancies, conflicts, or shortages in area and boundary lines, or any encroachments or protrusions, or any overlapping improvements:
☐ (a) will not be amended or deleted from the title policy.
☒ (b) will be amended to read "shortages in areas" at the expense of ☐ Buyer ☒ Seller.

(3) Buyer may object to any restrictive covenants on the Property within the time required under Paragraph 6C.

(4) Within 90 days after the effective date, Seller will furnish Buyer a commitment for title insurance (the commitment) including legible copies of recorded documents evidencing title exceptions. Seller authorizes the title company to deliver the commitment and related documents to Buyer at Buyer's address.

B. Survey: On or before 45 days prior to the end of the feasibility period:

☐ (1) Buyer will obtain a survey of the Property at Buyer's expense and deliver a copy of the survey to Seller. The survey must be made in accordance with the Texas Society of Professional Surveyors' standards for a Category 1A survey under the appropriate condition.

☒ (2) Seller, at Seller's expense, will furnish Buyer an ALTA survey of the Property dated after the effective date.

☐ (3) Seller will deliver to Buyer and the title company a true and correct copy of Seller's existing survey of the Property dated ______________ along with an affidavit required by the title company for approval of the survey. If the survey is not acceptable to the title company, Seller, at Seller's expense, will obtain a survey acceptable to the title company and deliver that acceptable survey to the Buyer and the title company within 15 days after Seller receives notice that the existing survey is not acceptable to the title company. The closing date will be extended daily up to 15 days if necessary for Seller to deliver an acceptable survey within the time required.

C. Buyer's Objections to the Commitment, Survey:

(1) Within the later of (A) the end of the feasibility period described in Paragraph 7B or (B) 15 business days after Buyer receives the commitment, copies of the documents evidencing the title exceptions and any required survey, Buyer may object to in writing to matters disclosed in the items if:
(a) the matters disclosed constitute a defect or encumbrance to title other than those permitted by this contract or liens that Seller will satisfy at closing or Buyer will assume at closing; or (b) the items show that any part of the Property lies in a flood hazard area. If Paragraph 6B(1) applies, Buyer is deemed to

receive the survey on the earlier of: (i) the date of Buyer's actual receipt of the survey; or (ii) of the deadline specified in Paragraph 6B.

(2) Seller may, but is not obligated to, cure Buyer's timely objections within 15 days after Seller receives the objections. The closing date will be extended as necessary to provide such time to cure the objections. If Seller fails to cure the objections by the time required, Buyer may terminate this contract by providing written notice to Seller within 5 days after the time by which Seller must cure the objections. If Buyer terminates, the earnest money, less any independent consideration under Paragraph 7B(1)(a), will be refunded to Buyer.

(3) Buyer's failure to timely object or terminate under this Paragraph 6C is a waiver of Buyer's right to object except that Buyer will not waive the requirements in Schedule C of the commitment.

7. **PROPERTY CONDITION:**

A. Present Condition: Buyer accepts the Property in its present condition except that Seller, at Seller's expense, will complete the following before closing: ______

B. Feasibility Period: Buyer may terminate this contract for any reason on or before August 31, 2010 (feasibility period) by providing Seller written notice of termination. (Check only one box.)

☒ (1) If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer less $ 500.00 that Seller will retain as independent consideration for Buyer's unrestricted right to terminate. Buyer has tendered the independent consideration to Seller upon payment of the amount specified in Paragraph 5A to the escrow agent. The independent consideration is to be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(1) or if Buyer fails to timely pay the independent consideration, Buyer will not have the right to terminate under this Paragraph 7B.

☐ (2) Not later than 3 days after the effective date, Buyer must pay Seller $ N/A as independent consideration for Buyer's right to terminate by tendering such amount to Seller or Seller's agent. If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer and Seller will retain the independent consideration. The independent consideration will be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(2) or if Buyer fails to timely pay the independent consideration, Buyer will not have the right to terminate under this Paragraph 7B.

C. Inspections, Studies, or Assessments:

(1) While this Contract is in force, Buyer, at Buyer's expense, may complete or cause to be completed any and all inspections, studies, or assessments of the Property (including all improvements and fixtures) desired by Buyer.

(2) Buyer must:
- (a) employ only trained and qualified inspectors and assessors;
- (b) notify Seller, in advance, of when the inspector or assessors will be on the Property;
- (c) abide by any reasonable entry rules or requirements that Seller may require
- (d) not interfere with existing operations or occupants of the Property; and
- (e) restore the Property to its original condition if altered due to inspections, studies or assessments that Buyer completes or causes to be completed if Buyer terminates Contract.

(3) Except for those matters that arise from the negligence of Seller or Seller's agents, Buyer is responsible for any claim, liability, encumbrance, cause of action, and expense resulting from Buyer's inspections, studies, or assessments, including any property damage or personal injury. Buyer will indemnify, hold harmless, and defend Seller and Seller's agents against any claim involving a matter for which Buyer is

responsible under this paragraph. This paragraph survives termination of this contract.

D. Property Information:

(1) Delivery of Property Information: Within 5 business days after the effective date, Seller will deliver to Buyer:

☒ (a) copies of all current leases pertaining to the Property, including any modifications, supplements, or amendments to the leases;
☒ (b) copies of all notes and deeds of trust against the Property that Buyer will assume or that Seller will not pay in full on or before closing;
☒ (c) copies of all previous environmental assessments, geo-technical reports, studies, or analyses made on or relating to the Property;
☒ (d) copies property tax statements for the Property for the previous 2 calendar years;
☒ (e) plats of the Property;
☒ (f) copies of current utility capacity letters from the Property's water and sewer service provider.
☒ (g) copies of existing surveys of the property
copies of all studies, analyses, reports and inspections, if any

(2) Return of Property Information: If this contract terminates for any reason, Buyer will, not later than 10 business days after the termination date; (a) return to Seller all those items described in Paragraph 7D(1) that Seller delivered to Buyer and all copies that Buyer made of those items; and (b) deliver copies of all written inspection and assessment reports related to the Property that Buyer completed or caused to be completed. This Paragraph 7D(2) survives termination of this contract.

E. Contract Affecting Operations: Until closing, Seller: (1) will operate the Property in the same manner as on the effective date under reasonably prudent business standards; and (2) will not transfer or dispose of any part of the Property, any interest or right in the Property; or any of the personal property or other items described in Paragraph 2B or sold under this contract. Seller may not enter into, amend, or terminate any other contract that affects the operations of the Property without Buyer's written approval.

8. LEASES:

A. Each written lease Seller is to assign to Buyer under this contract must be in full force and effect according to its terms without amendment or modifications that is not disclosed to Buyer in writing. Seller must disclose, in writing, to Buyer if any of the following exist at the time Seller provides the leases to the Buyer or subsequently occur before closing:

(1) any modifications, amendments, or default by landlord or tenant under the leases;
(2) any failure by Seller to comply with Seller's obligations under the leases;
(3) any circumstances under any lease that entitle the tenant to terminate the lease or seek any offsets or damages;
(4) any advance sums paid by a tenant under any lease;
(5) any concessions, bonuses, free rents, rebates, brokerage commissions, or other mattes that affect any lease; and
(6) any amounts payable under the leases that have been assigned or encumbered, except as security for loan(s) assumed or taken subject to under this contract.

B. Estoppel Certificates: Within ________ days after the effective date, Seller will deliver to Buyer estoppel certificates signed not earlier than ____________________ by each tenant that leases space in the Property. The estoppel certificated must state:
(1) that no default exists under the lease by the landlord or tenant as of the date the estoppel certificate is signed;
(2) the amount of the scheduled rents to be paid through the end of the lease and any rental payments that have been paid in advance;
(3) the amount of any security deposit;
(4) the amount of any offsets tenant is entitled against rent;

(5) the expiration date of the lease;
(6) a description of any renewal options; and
(7) ______

**9. BROKERS:**

A. The brokers to this sale are:

| | |
|---|---|
| Coldwell Banker Commercial-Ingram Group 0131660 | ERA Whitaker 0216231 |
| Cooperating Broker License No. | Principal Broker License No. |
| 26514 Interstate 45 North, Spring, TX 77386 | 1427 Keefer Road, Tomball, TX 77375 |
| Address | Address |
| 281-364-8000 281-364-8099 | 281-351-5467 281-351-0354 |
| Phone Fax | Phone Fax |

Cooperating Broker represents Buyer only

Principal Broker: (Check only one box.)
☒ represents Seller only.
☐ represents Buyer only.
☐ is an intermediary between Seller and Buyer.

B. Fees: (Check only one box.)

☐ (1) Seller will pay Principal Broker the fee specified by separate written commission agreement between Cooperating Broker and Seller. Principal Broker will pay Cooperating Broker the fee specified in the Agreement Between Brokers found below the parties' signatures to this contract.

☒ (2) At the closing of this sale, Seller will pay:

Cooperating Broker a total cash fee of:
☒ 3.00 % of the sales price.
☐ ______.

Principal Broker a total cash fee of:
☐ ______% of the sales price.
☐ ______.

The cash fees will be paid in Montgomery County, Texas. Seller authorizes escrow agent to pay the brokers from the Seller's proceeds at closing.

*NOTICE: Chapter 62, Texas Property Code, authorizes a broker to secure an earned commission with a lien against the Property.*

C. The parties may not amend this Paragraph 9 without the written consent of the brokers affected by the amendment.

**10. CLOSING:**

A. The closing of the sale will be on or before October 31, 2010 or deadline set by the TDHCA for 2010 applications or within 7 days after objections made under Paragraph 6C have been cured or waived, whichever date is later (the closing date).

B. If either party fails to close by the closing date, the non-defaulting party may exercise the remedies in Paragraph 15.

C. At closing, Seller will execute and deliver, at Seller's expense, a ☒ general ☐ special warranty deed. The deed must include a vendor's lien if any part of the sales price is financed. The deed must convey good and indefeasible title to the Property and show no exceptions other than those permitted under Paragraph 6 or other provisions of this contract. Seller must convey the Property:

(1) with no liens, assessments or other security interests against the Property which will not be satisfied out of the sales price, unless securing loans Buyer assumes;

(2) without any assumed loans in default; and

(3) with no persons in possession of any part of the Property as lessees, tenants at sufferance, or trespassers except tenants under the written leases assigned to Buyer under this contract.

D. At closing, Seller, at Seller's expense, will deliver to Buyer:
(1) an affirmation of the warranties and representations;
(2) tax statements showing no delinquent taxes on the Property;
(3) an assignment of all leases to or on the Property;
(4) to the extent assignable, an assignment to Buyer of any licenses and permits related to the Property;
(5) evidence that the person executing this contract is legally capable and authorized to bind Seller;
(6) an affidavit acceptable to the escrow agent stating that Seller is not a foreign person or, if Seller is a foreign person, a written authorization for the escrow agent to: (i) withhold from Seller's proceeds an amount sufficient to comply with applicable tax law; and (ii) deliver the amount to the Internal Revenue Service (IRS) together with appropriate tax forms; and
(7) any notices, statements, certificates, affidavits, releases, and other documents required by this contract, the commitment, or law necessary for the closing of the sale and issuance of the title policy, all of which must be completed by Seller as necessary.

E. At closing, Buyer will:
(1) pay the sales price in good funds acceptable to the escrow agent;
(2) deliver evidence that the person executing this contract is legally capable and authorized to bind Buyer;
(3) execute and deliver any notices, statements, certificates, or other documents required by this Contract or law necessary to close the sale.

**11. POSSESSION:** Seller will deliver possession of the Property to Buyer upon closing and funding of this sale in its present condition with any repairs Seller is obligated to complete under this contract, ordinary wear and tear excepted. Any possession by Buyer before closing or by Seller after closing that is not authorized by a separate written lease agreement is a landlord-tenant at sufferance relationship between the parties.

**12. SPECIAL PROVISIONS:** (Identify exhibit if special provisions are contained in an attachment.)

A. This Contract is contingent upon the following and Buyer may terminate this contract at such time as Buyer determines that any of the following contingencies are not or will not be met: (i) Buyer receiving an allocation and reservation of Low Income Housing Tax Credits (tax credits) from the Texas Department of Housing and Community Affairs during the 2010 tax credit cycle for the development and construction of affordable multifamily housing on the Property in size and scope deemed feasible by Buyer (project); (ii) obtaining financing in an amount and on terms required by Buyer to develop and build the project; (iii) completing the sale of tax credits for an amount required by Buyer to develop and build the project; and (iv) there being no zoning or other restrictions that would limit the use of the Property for the project as desired and contemplated by Buyer.

B. During the term of this Contract, Seller shall assist Buyer with its tax credit application, if necessary or desirable, including obtaining updates of utility letters and other municipality letters, at no cost to Seller.

C. If any zoning or other restrictions that would limit the use of the Property for the project as desired and contemplated by Buyer exist or are put in place, Seller shall assist Buyer with obtaining the appropriate rezoning, permissions, variances and changes on or before the deadlines for such as imposed by the Texas Department of Housing and Community Affairs and as are necessary and desirable to permit the project as desired and contemplated by the Buyer.

D. This Contract and the terms and conditions contained herein shall be kept confidential and shall only be used by Seller and Buyer and their respective representatives in connection with the acquisition of the Property, and may not be disclosed to any third parties. Notwithstanding the foregoing, Buyer is specifically authorized to disclose this Contract and/or its specific terms and conditions, and any other information Buyer obtains concerning the Property as is reasonably necessary to apply for and obtain tax credits and obtain financing for the project and negotiate and consummate the sale of tax credits.

E. Neither Seller, nor any of its representatives, will actively market the Property and/or sell or agree to sell the Property, or any part thereof, to any other party, unless or until (i) the closing does not occur on or before the closing date (unless extended in writing); or (ii) this Contract is terminated in accordance with its terms.

F. Seller shall permit Buyer to post signage on the Property in connection with the issuance of the tax credits and financing for the project in order to comply with public notice requirements imposed by the Texas Department of Housing and Community Affairs or such other public authority.

G. ~~Seller agrees to plat the subdivision of the 19.790 acre tract (of which the Property is a part) as required by the City of Magnolia to facilitate the sale and development of the Property (the Subdivision Plat) and Seller and Buyer agree to share the cost of such Subdivision Plat equally. Buyer shall engage its engineers to perform such Subdivision Plat work and Seller shall pay for fifty percent of all related costs. Seller and Buyer shall agree on the timeline and schedule for performing the Subdivision Plat work and filing preliminary and final plats with the City in order to facilitate a timely Closing. This Paragraph 12.G shall survive the Closing.~~

DELETED - See Amendment

**13. SALES EXPENSES:**

A. Seller's Expenses: Seller will pay for the following at or before closing:
(1) releases of existing liens, other than those liens assumed by Buyer, including prepayment penalties and recording fees;
(2) release of Seller's loan liability, if applicable;
(3) tax statements or certificates;
(4) preparation of the deed;
(5) one-half of any escrow fee;
(6) costs to record any documents to cure title objections that Seller must cure; and
(7) other expenses that Seller will pay under other provisions of this contract.

B. Buyer's Expenses: Buyer will pay for the following at or before closing:
(1) all loan expenses and fees;
(2) preparation of any deed of trust;
(3) recording fees for the deed and any deed of trust;
(4) premiums for flood insurance as may be required by Buyer's lender;
(5) one-half of any escrow fee; and
(6) other expenses that Buyer will pay under other provisions of this contract.

**14. PRORATIONS, ROLLBACK TAXES, RENT, AND DEPOSITS:**

A. Prorations:

(1) Interest on any assumed loan, taxes, rents, and any expense reimbursements from tenants will be prorated through the closing date.

(2) If the amount of ad valorem taxes for the year in which the sale closes is not available on the closing date, taxes will be prorated on the basis of taxes assessed in the previous year. If the taxes for the year in which the sale closes vary from the amount prorated at closing, the parties will adjust the prorations when the tax statements for the year in which the sale closes become available. This Paragraph 14A(2) survives closing.

(3) If Buyer assumes a loan or is taking the Property subject to an existing lien, Seller will transfer all reserve deposits held by the lender for the payment of taxes, insurance premiums, and other charges to Buyer at closing and Buyer will reimburse such amounts to Seller by an appropriate adjustment at closing.

B. Rollback Taxes: If Seller changes the use of the Property before closing or if a denial of a special valuation on the Property claimed by Seller results in the assessment of additional taxes, penalties, or interest (assessments) for periods before closing, the assessments will be the obligation of Seller. If this sale or Buyer's use of the Property after closing results in additional assessments for periods before closing, the assessments will be the obligation of Seller. This Paragraph 14B survives closing.

C. Rent and Security Deposits: At closing, Seller will tender to Buyer all security deposits and the following advance payments received by Seller for periods after closing: prepaid expenses, advance rental payments, and other advance payments paid by tenants. Rents prorated to one party but received by the other party will be remitted by the recipient to the party to whom it was prorated within 5 days after the rent is received. This Paragraph 14C survives closing.

**15. DEFAULT:**

A. If Buyer fails to comply with this contract, Buyer is in default and Seller may terminate this contract and receive the Earnest Money as liquidated damages, thereby releasing the parties from this contract.

B. If, without fault, Seller is unable within the time allowed to deliver the estoppel certificates, survey, or commitment, Buyer may:
(1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as the sole remedy; or
(2) extend the time for performance up to 15 days and the closing will be extended as necessary.

C. Except as provided in Paragraph 15B, if Seller fails to comply with this contract, Seller is in default and Buyer may:
(1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as liquidated damages, thereby releasing the parties from this contract; or
(2) enforce specific performance, or seek such other relief as may be provided by law, or both.

**16. CONDEMNATION:** If before closing, condemnation proceedings are commenced against any part of the Property, Buyer may:
A. terminate this Contract by providing written notice to Seller within 15 days after Buyer is advised of the condemnation proceedings and the earnest money, less any independent consideration paid under Paragraph 7B(1), will be refunded to Buyer; or

B. appear and defend the condemnation proceedings and any award will, at Buyer's election, belong to:
(1) Seller and the sales price will be reduced by the same amount; or
(2) Buyer and the sales price will not be reduced.

**17. ATTORNEY'S FEES:** If Buyer, Seller, any broker, or any escrow agent is a prevailing party in any legal proceeding brought under or with relation to this contract or this transaction, such party is entitled to recover from the non-prevailing parties all costs of such proceeding and reasonable attorney's fees. This Paragraph 17 survives termination of this contract.

**18. ESCROW:**

A. At closing, the earnest money will be applied first to any cash down payment, then to Buyer's closing costs, and any excess will be refunded to Buyer.

B. If both parties make written demand for the earnest money, escrow agent may require payment of unpaid expenses incurred on behalf of the parties and a written release of liability of escrow agent from all parties.

C. If one party makes written demand for the earnest money, escrow agent will give notice of the demand by providing to the other party a copy of the demand. If escrow agent does not receive written objection to the demand from the other party within 15 days after the date escrow agent sent the demand to the other party, escrow agent may disburse the earnest money to the party making demand, reduced by the amount of unpaid expenses Incurred on behalf of the party receiving the earnest money and escrow agent may pay the same to the creditors.

D. Escrow agent will deduct any independent consideration under Paragraph 7B(1) before disbursing any earnest money to Buyer and will pay the independent consideration to Seller.

E. If escrow agent complies with this Paragraph 18, each party hereby releases escrow agent from all claims related to the disbursal of the earnest money.

F. Notices under this Paragraph 18 must be sent by certified mail, return receipt requested. Notices to escrow agent are effective upon receipt by escrow agent.

19. **MATERIAL FACTS:** To the best of Seller's knowledge and belief:

A. Except as otherwise provided in this contract, Seller is not aware of:

(1) any subsurface, structure, pits, waste, springs, or improvements;
(2) any pending or threatened litigation, condemnation, or assessment affecting the Property;
(3) any environmental hazards or conditions that affect the Property:
(4) whether the Property is or has ever been used for the storage or disposal of hazardous materials or toxic waste, a dump site or landfill, or any underground tanks or containers;
(5) whether radon, asbestos insulation or fireproofing, urea-formaldehyde foam insulation, lead-based paint, toxic mold (to the extent that is adversely affects the health of ordinary occupants), or other pollutants or contaminants of any nature now exist or ever existed on the Property;
(6) any wetlands, as defined by federal or state law or regulation, are on the Property;
(7) any threatened or endangered species or their habitat are on the Property;
(8) any present or past infestation of wood-destroying insects in the Property's improvements;
(9) any contemplated material changes to the Property or surrounding area that would materially and detrimentally affect the ordinary use of the Property;
(10) any contemplated, pending or threatened condemnation or similar proceeding or assessment affecting any of the Property;
(11) any condition on the Property that violates any law or ordinance.

(Describe any exceptions to (1)-(11) in Paragraph 12 or an addendum.)

B. Seller is the fee simple owner of the title to the Property. Seller has not granted any option or rights of first refusal to third parties to acquire any interest in any of the Property. Seller is duly organized and validly existing under the laws of the State of Texas and is duly authorized and empowered to sell the Property

20. **NOTICES:** All notices between the parties under this contract must be in writing and are effective when hand-delivered, delivered by private courier services, sent by facsimile transmission or email to the parties' addresses or facsimile numbers or email address stated in Paragraph 1, with a phone call or phone message advising of such facsimile or e-mail transmittal, or three (3) days after being deposited in the United States mail, in registered or certified form, return receipt requested, to a parties addresses stated in Paragraph 1. The parties will send copies of any notices to the broker representing the party to whom the notices are sent.

21. **DISPUTE RESOLUTION:** The parties agree to negotiate in good faith in an effort to resolve any dispute related to this contract that may arise. If the dispute cannot be resolved by negotiation, the parties will submit the dispute to mediation before resorting to arbitration or litigation and will equally share the costs of a mutually acceptable mediator. This paragraph survives termination of this contract. This paragraph does not preclude a party from seeking equitable relief from a court of competent jurisdiction.

22. **AGREEMENT OF THE PARTIES:**

A. This contract is binding on the parties, their heirs, executors, representative, successors, and permitted assigns.

B. This contract is to be construed in accordance with the laws of the State of Texas.

C. This contract contains the entire agreement of the parties and my not be changed except in writing.

D. If this contract is executed in a number of identical counterparts, each counterpart is an original and all counterparts, collectively, constitute one agreement.

E. Addenda which are part of this contract are: (Check all that apply.)
☒ (1) Property Description Exhibit identified in Paragraph 2;
☐ (2) Commercial Contract Financing Addendum;
☐ (3) Commercial Property Condition Statement;
☐ (4) Notice to Purchaser of Real Property in a Water District (MUD);
☐ (5) Addendum for Coastal Area Property;
☐ (6) Addendum for Property Located Seaward of the Gulf Intracoastal Waterway;
☒ (7) Exhibit B Financing Addendum identified in Paragraph 4

F. Buyer may assign this contract. If Buyer assigns this contract, Buyer will be relieved of any future liability under this contract only if the assignee assumes, in writing, all obligations and liability of Buyer under this contract.

23. **TIME:** Time is of the essence in this contract. The parties require strict compliance with the times for performance. If the last day to perform under a provision of this contract falls on a Saturday, Sunday, or legal holiday, the time for performance is extended until the end of the next day which is not a Saturday, Sunday, or legal holiday.

24. **EFFECTIVE DATE:** The effective date of this contract for the purpose of performance of all obligations is the date the escrow agent receipts this contract after all parties execute this contract.

25. **INDEMNIFICATION:** Seller agrees to indemnify, defend and hold Buyer and the Property harmless from any and all liabilities, claims, demands, and expenses (including, without limitation, reasonable attorneys' fees) of any kind or nature arising or accruing on or before the closing and which are in any way related to Seller, the Property, or the breach of any express warranty or representation or nonfulfillment of any agreement on the part of the Seller under this Contract. Buyer agrees to indemnify, defend and hold Seller harmless from any and all liabilities, claims, demands and expenses (including, without limitation, reasonable attorneys' fees) of any kind or nature arising or accruing after the closing and during the period of Buyer's ownership of the Property and which are in any way related to Buyer, the Property, or the breach of any express warranty or representation or nonfulfillment of any agreement on the part of the Buyer under this Contract. This provision shall survive closing.

26. **CONDITIONS PRECEDENT:** The obligation of Buyer to close the transaction provided for in this Contract is conditioned on Buyer satisfying itself by the closing as to the following:

A. Seller shall have duly performed all of its obligations in all material respects under this Contract.

B. All conditions and contingencies set forth in this Contract shall have been met to the satisfaction of Buyer; and

C. All of Seller's representations and warranties shall be true and correct in all material respects as of the closing.

27. **ADDITIONAL NOTICES:**

A. Buyer should have an abstract covering the Property examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a title policy.

B. If the Property is situated in a utility or other statutorily created district providing water, sewer, drainage, or flood control facilities and services, Chapter 49, Texas Water Code, requires Seller to deliver and Buyer to sign the statutory notice relating to the tax rate, bonded indebtedness, or standby fees of the district before final execution of this contract.

C. Notice Requirement by §13.257, Water Code: "The real property, described below, that you are about to purchase may be located in a certificated water or sewer service area, which is authorized by law to provide water or sewer service to the properties in the certificated area. If your property is located in a certificated area there may be special costs or charges that you will be required to pay before you can receive water or sewer service. There may be a period required to construct lines or other facilities necessary to provide water or sewer service to your property. You are advised to determine if the property is in a certificated area and contact the utility service provider to determine the cost that you will be required to pay and the period, if any that is required to provide water or sewer service to your property. The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or before the execution of a binding contract for the purchase of the real property described in the notice or at closing of purchase of the real property." The real property is described in Paragraph 2 of this contract.

D. If the Property adjoins or shares a common boundary with the tidally influenced submerged lands of the state, §33.135 of the Texas Natural Resources Code requires a notice regarding coastal area property to be included as part of this contract.

E. If the Property is located seaward of the Gulf Intracoastal Waterway, §61.025, Texas Natural Resources Code, requires a notice regarding the seaward location of the Property to be included as part of this contract.

F. If the Property is located outside the limits of a municipality, the Property may now or later be included in the extra-territorial jurisdiction (ETJ) of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and ETJ. To determine if the Property is located within a municipality's ETJ, Buyer should contact all municipalities located in the general proximity of the Property for further information.

G. Brokers are not qualified to perform property inspections, surveys, engineering studies, environmental assessments, or inspections to determine compliance with zoning, governmental regulations, or laws. Buyer should seek experts to perform such services. Selection of inspectors and repairmen is the responsibility of Buyer and not the brokers.

28. **CONTRACT AS OFFER:** The execution of this contract by the first party constitutes an offer to buy or sell the Property. Unless the other party accepts the offer by 5:00 p.m., in the time zone in which the Property is located, on August 27, 2009, the offer will lapse and become null and void.

**READ THIS CONTRACT CAREFULLY. The brokers and agents make no representation or recommendation as to the legal sufficiency, legal effect, or tax consequences of this document or transaction. CONSULT your attorney BEFORE signing.**

| | |
|---|---|
| Buyer: Mark-Dana Corporation and/or assigns | Seller: The Power Partnership |
| By: David Mark Koogler | By: Robert L. Whitaker |
| Printed Name: David Mark Koogler | Printed Name: Robert L. Whitaker |
| Title: President | Title: Managing Partner |
| Buyer: | Seller: |
| By: | By: |
| Printed Name: | Printed Name: |
| Title: | Title: |

## AGREEMENT BETWEEN BROKERS

Principal Broker agrees to pay ______________________ (Cooperating Broker) a fee of $______________ or ________% of the sales price when the Principal Broker's fee is received. Escrow agent is authorized and directed to pay Cooperating Broker from Principal Brokers' fee at closing. This Agreement Between Brokers supersedes any prior offers and agreements for compensation between brokers.

| | |
|---|---|
| Cooperating Broker | Principal Broker |
| By: | By: |

## ATTORNEYS

Buyer's attorney is:
Name:
Address:

Phone & Fax:
E-Mail:
Buyer's attorney requests copies of documents, notices, and other information:

☐ the title company sends to Buyer.
☐ Seller send to Buyer.

Seller's attorney is:
Name:
Address:

Phone & Fax:
E-Mail:
Seller's attorney requests copies of documents, notices, and other information:

☐ the title company sends to Seller.
☐ Buyer send to Seller.

## ESCROW RECEIPT

Escrow agent acknowledges receipt of:
☒ A. the contract on this day 9-9-09 (effective date);
☐ B. earnest money in the amount of $______________ in the form of ______________ on ______________.

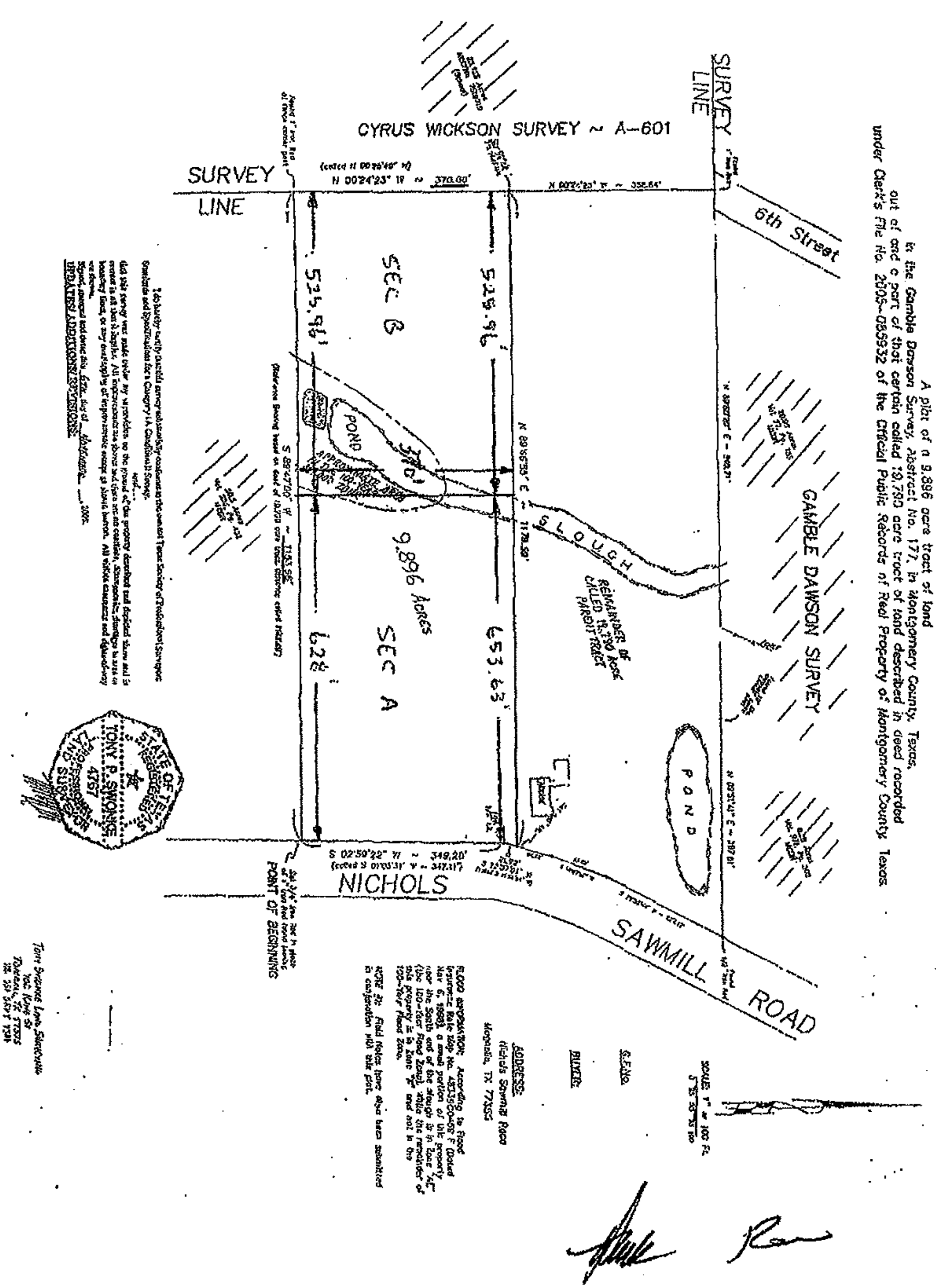
Escrow Agent: Stewart Title
By: Sholene Diehl

Address: 24 Waterway Avenue #250 The Woodlands, TX 77380
Phone: 832-482-1855
Fax: 281-367-5453

Initialed for Identification by Buyer ____ and Seller ____, ____.

10061 - Magnolia Trails

Exhibit A



FIELD NOTES

Being a 9.896 acre tract of land in the Gamble Dawson Survey, Abstract No. 177, in Montgomery County, Texas, out of and a part of that certain called 19.790 acre tract of land described in deed recorded under Clerk's File No. 2005-085932 of the Official Public Records of Real Property of Montgomery County, Texas, said 19.790 acres is hereafter referred to as "the subject tract" and is more particularly described as follows:

**BEGINNING** at a ¾ inch iron rod set (in place of a 1 inch iron rod found leaning) in the West right-of-way line of Nichols Sawmill Road, and marking the Southeast corner of the subject tract and the said 19.790 acre tract (hereafter called "parent tract"), and the Northeast corner of that certain 20.5 acre tract of land described in Volume 256, Page 432, of the Deed Records of Montgomery County, Texas;

**THENCE** South 89°47'00" West (Reference Bearing based on deed of parent tract), with the North line of the said 20.5 acre tract, a distance of 1153.96 feet (called 1145.69') to a 1 inch iron rod found lying in the East line of the Cyrus Wickson Survey (A-601) and that certain 25.126 acre tract of land described under Clerk's File No. 7519719, in the lower West line of the said Dawson Survey, and marking the Southwest corner of the subject tract and the parent tract, and the Northwest corner of the said 20.5 acre tract;

**THENCE** North 00°24'23" West (called N 00°25'49" W), with West line of the parent tract and the said common Survey Line, a distance of 370.00 feet to a 5/8 inch iron rod set to mark the Northwest corner of the subject tract;

**THENCE** North 89°46'55" East, departing the West line of the parent tract and the East line of the said 25.126 acre tract, a distance of 1179.59 feet to a 5/8 inch iron rod set in the East line of the parent tract, in the West line of Nichols Sawmill Road, and marking the Northeast corner of the subject tract;

**THENCE** South 12°37'01" West (called S 15°55'44" W), with the West line of Nichols Sawmill Road, a distance of 21.92 feet to a ½ inch iron rod found for angle point in the East line of the subject tract and the parent tract;

**THENCE** South 02°59'22" West (called S 01°03'31" W), continuing with the West line of Nichols Sawmill Road, a distance of 349.20 feet (called 347.11') to the **POINT OF BEGINNING** and containing 9.896 acres of land.

NOTE #1: These field notes are submitted in conjunction with a plat by Tony Swonke Land Surveying dated November 6, 2008, reference to which is here made.

STATE OF TEXAS REGISTERED TONY P. SWONKE 4767 PROFESSIONAL LAND SURVEYOR

Tony P. Swonke
RPLSNo. 4767
November 6, 2008

**EXHIBIT B**
**FINANCING ADDENDUM**
**TO**
**COMMERCIAL CONTRACT – UNIMPROVED PROPERTY**

("Contract") Between The Power Partnership ("Seller") and Mark-Dana Corporation and/or assigns or nominees ("Buyer") with respect to a 9.896 acre tract of land in the Gamble Dawson survey, Abstract No. 177, in Montgomery County, Texas, out of and a part of that certain called 19.790 acre tract of land described in deed recorded under Clerk's File No. 2005-085932 of the Official Public Records of Real Property of Montgomery County, Texas.

---

1. A portion of the sales price shall be financed as follows: At Closing, Buyer shall execute and deliver a one year promissory note (the Note) from Buyer to Seller in the principal amount of One Hundred Eighty Thousand Dollars ($180,000.00), bearing interest at the prime rate per annum published by the Wall Street Journal five business days before the Closing Date. The Note shall be secured by one of the following: (i) a vendors lien and a deed of trust on the Property, (ii) a letter of credit (Letter of Credit) in the principal amount of the loan, or (iii) the pledge of a twelve month certificate of deposit (Pledge of CD) in the amount of the principal amount of the loan, issued by Compass Bank or another bank acceptable to Seller and Buyer. The Note shall be recourse to Buyer. The Note shall be payable in interest only monthly installments with the entire balance of principal of and accrued and unpaid interest on the Note being due and payable one year after the Closing (the Maturity Date). If the Note is secured by a vendors lien and/or a deed of trust on the Property, Seller shall release the vendors lien and deed of trust lien in full at the Buyer's request, in exchange for Buyer providing a Letter of Credit or Pledge of CD to secure the Note. Unless the parties agree otherwise, the most recent forms prepared by the State Bar of Texas shall be used for the Note and deed of trust required by this Paragraph 4 as approved by Buyer and Seller. Buyer may prepay the Note in whole or in part at any time without penalty. Any prepayments are to be applied to the payment of the installments of principal last maturing.

2. Seller hereby attests that (i) it is not the Applicant, The Developer, Consultant, Related Party or any individual or entity acting on behalf of the Applicant in the proposed application for low income housing tax credits from TDHCA (as such capitalized terms are defined by TDHCA), (ii) none of the funds to provide the loan for part of the sales price as described in Paragraph 4 of the Contract were first provided to Seller by either the Applicant, the Developer, Consultant, Related Party or any individual acting on behalf of the Applicant in the Application, and (iii) Seller is not a commercial lender or an affiliate of a commercial lender.

3. Terms used herein but not defined herein shall have the meaning given in the Contract (unless otherwise indicated).

SELLER:
THE POWER PARTNERSHIP

By ______________________
Robert C. Whitaker
Managing Partner

BUYER:
MARK-DANA CORPORATION

By ______________________
David Mark Koogler
President

**FIRST AMENDMENT**
**TO**
**COMMERCIAL CONTRACT – UNIMPROVED PROPERTY**

---

This First Amendment to Commercial Contract – Unimproved Property (Amendment) is entered as of February 22, 2010, by and between The Power Partnership (Seller) and Mark-Dana Corporation or its assigns or nominee (Buyer).

Seller and Buyer entered into the Commercial Contract – Unimproved Property effective September 9, 2009 with respect to +/- 9.896 acres out of total 19.79 acres on Nichols Sawmill Road (the Original Contract and, the Original Contract as amended by this Amendment, is herein sometimes called the Contract); and

Seller and Buyer desire to amend the Contract as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Contract is amended by adding Exhibit C attached to this Amendment immediately after Exhibit B thereto and Exhibit C attached to this Amendment is made a part of the Contract for all purposes.

2. Paragraph 12. G. of the Original Contract is hereby deleted therefrom and the following Paragraphs 12.G. and 12.H. are substituted in lieu thereof:

   " G. The Magnolia, Texas Magnolia Bible Church (Church) owns the tract of land north of and adjacent to the Property depicted as Reserve A on Exhibit C attached hereto (Reserve A or Church Property). Seller and Church have agreed to plat the subdivision of the 19.790 acre tract (of which the Church Property and the Property are a part) as required by the City of Magnolia to facilitate the sale and development of the Church Property and the Property (the Subdivision Plat) and Seller and Church have agreed to share the cost of such Subdivision Plat equally. The total cost of such Subdivision Plat is estimated to be less than $7,000 and Seller and Buyer agree to share the cost of Seller's portion of such total cost of such Subdivision Plat equally. The Church has engaged its engineers and surveyors to perform such Subdivision Plat work and Seller shall pay for fifty percent of all related costs. The Subdivision Plat will be subject to Buyer's and Seller's prior written approval. Seller and Buyer shall agree on the timeline and schedule for performing the Subdivision Plat work and filing preliminary and final plats with the City in order to facilitate a timely Closing. This Paragraph 12.G shall survive the Closing."

   "H. Church and Seller have agreed that Church will construct, operate, and maintain a regional detention pond (Detention Pond) at Church's expense and will enter into written agreements to locate the Detention Pond on Reserve C as shown on Exhibit C hereto (Reserve C), at the Church's expense, for use by the Church Property and the Property. The Detention Pond is expected to be completed prior to the Closing and in any event prior to December 31, 2010. If Church and Seller, with the consent of Buyer, enter into agreements for ownership, construction and maintenance of the Detention Pond acceptable to Buyer and Seller prior to Closing and the Detention Pond is completed or likely to be completed in time for use by Buyer, Buyer may reduce the Property purchased under the Contract to be Reserve B as shown on Exhibit C attached hereto (the Property described on Exhibit A attached to the Contract less Reserve C as shown on Exhibit C attached hereto). In consideration of locating the Detention Pond on Reserve C and receiving access to all detention capacity required by the Property at no cost or liability to Buyer, the reduction in the size of the Property pursuant to this paragraph will not result in an adjustment of the Purchase Price."

3. Buyer hereby assigns, transfers and conveys all of its rights, title and interests in and to the Contract to Magnolia Trails, LP or its assigns or nominees (Assignee) and Assignee shall be entitled to the rights, title, and benefits of Buyer in and to the Contract. Assignee agrees to assume all of the

obligations of Buyer under the Contract. This Paragraph shall survive the termination of the Contract.

4. Capitalized terms used in this Amendment are defined in the Contract, as amended hereby, unless otherwise stated. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of the signature page of this Amendment by facsimile shall be equally as effective as delivery of a manually executed counterpart of this Amendment. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Original Contract, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Original Contract are ratified and confirmed and shall continue in full force and effect.

Executed as of February 22, 2010.

SELLER:
THE POWER PARTNERSHIP

By ______________________
Robert C. Whitaker
Managing Partner

BUYER:
MARK-DANA CORPORATION

By ______________________
David Mark Koogler
President

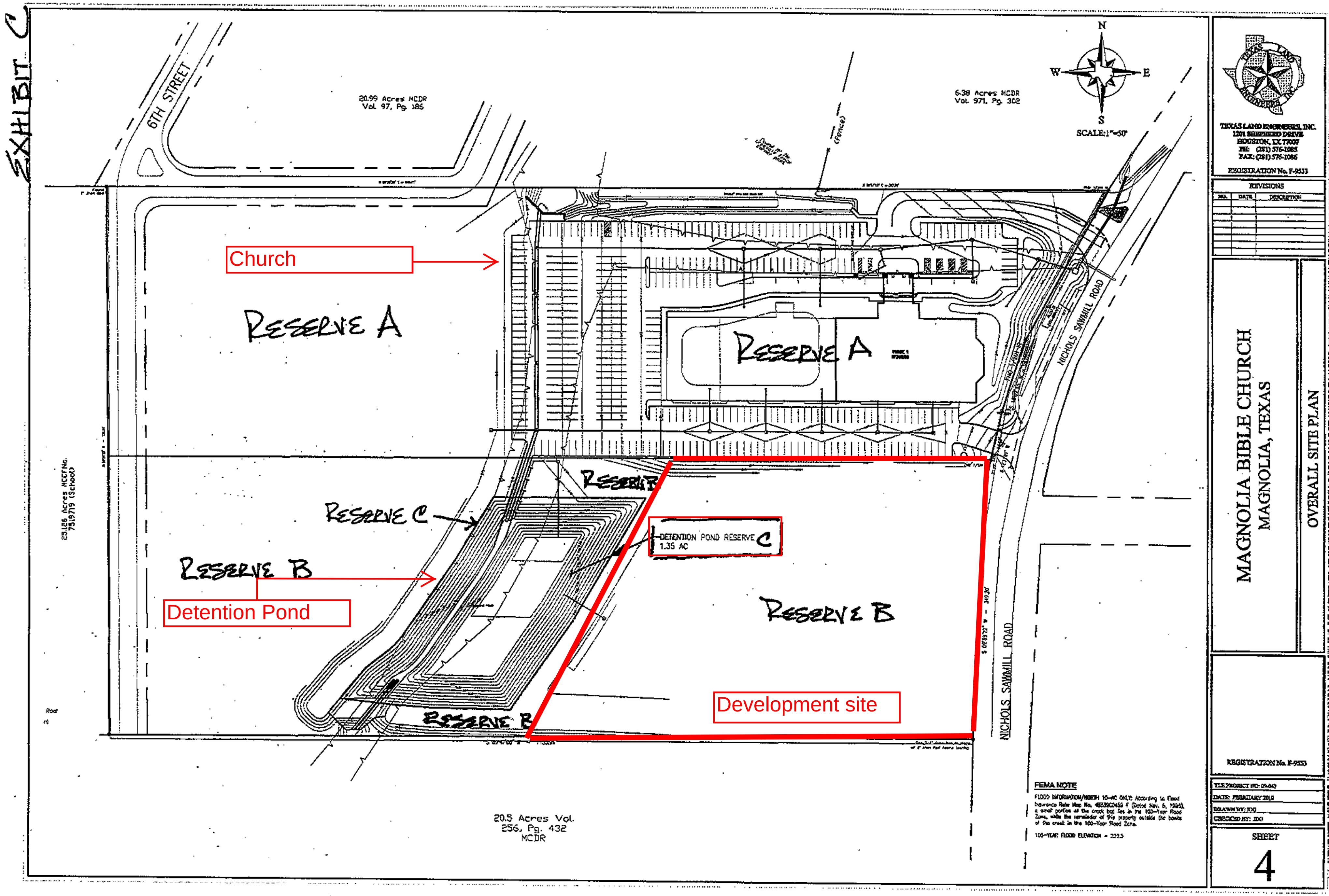
ASSIGNEE:
MAGNOLIA TRAILS, LP

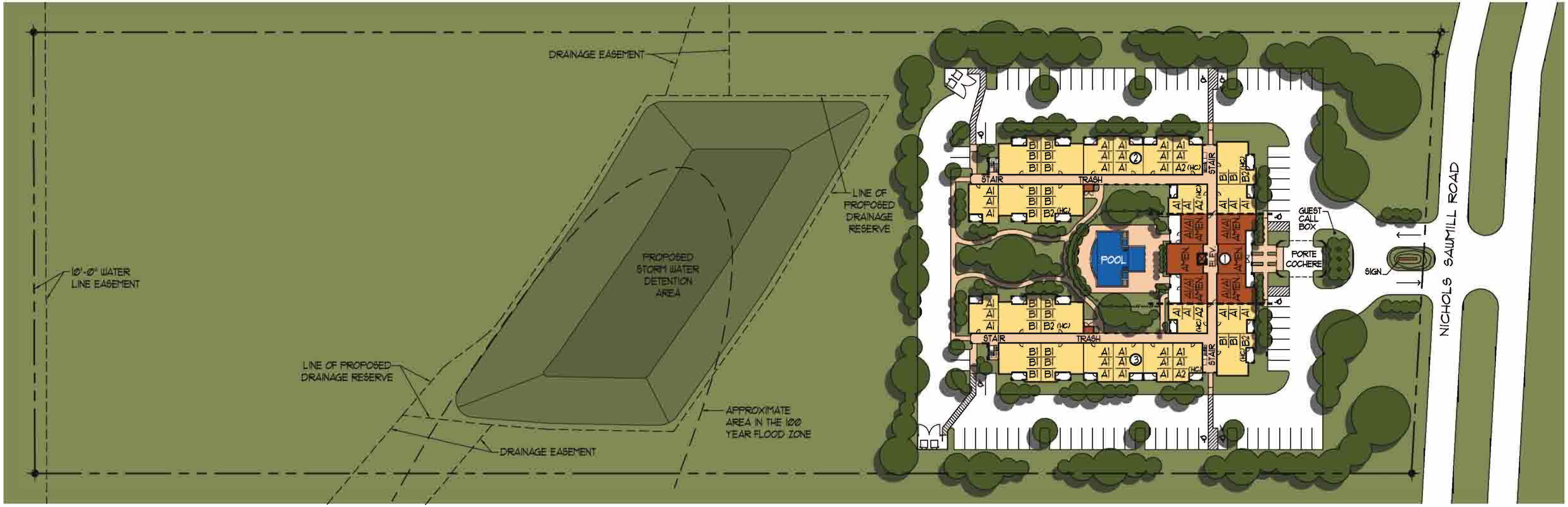
By ______________________
David Mark Koogler
Authorized Signer

# EXHIBIT C

## DESCRITPION OF RESERVE B AND RESERVE C

10061 - Magnolia Trails






# SITE PLAN - Alternate #3

*Magnolia Trails Apartments*

Mucasey & Associates, Architects

0 10 20 40 80 160

Site Plan from Application

## PROJECT SUMMARY:

### Apartments:

| Type | Description | Qty. | Area |
|---|---|---|---|
| A1 | One Bedroom, 1 Bath | 48 | 729 s.f. |
| A2 | One Bedroom, 1 Bath (H.C.) | 2 | 729 s.f. |
| Total One Bedroom Units | | 48 Units | |
| B1 | Two Bedroom, 2 Bath | 28 | 990 s.f. |
| B2 | Two Bedroom, 2 Bath (H.C.) | 2 | 990 s.f. |
| Total Two Bedroom Units | | 30 Units | |
| Total Units | | 80 Units | 66,150 s.f. |
| Amenity Center | | | 4,611 s.f. |
| Project Total | | | 70,761 s.f. |

### Parking:

| Parking Provided | Van Accessible | H.C. Accessible | Standard | Total |
|---|---|---|---|---|
| Open Parking (secured) | 2 | 4 | 64 | 70 cars |
| Amenity Parking (non-secured) | 2 | 0 | 8 | 10 cars |
| Total Parking Provided | 4 | 4 | 72 | 80 cars |

# Final Plat

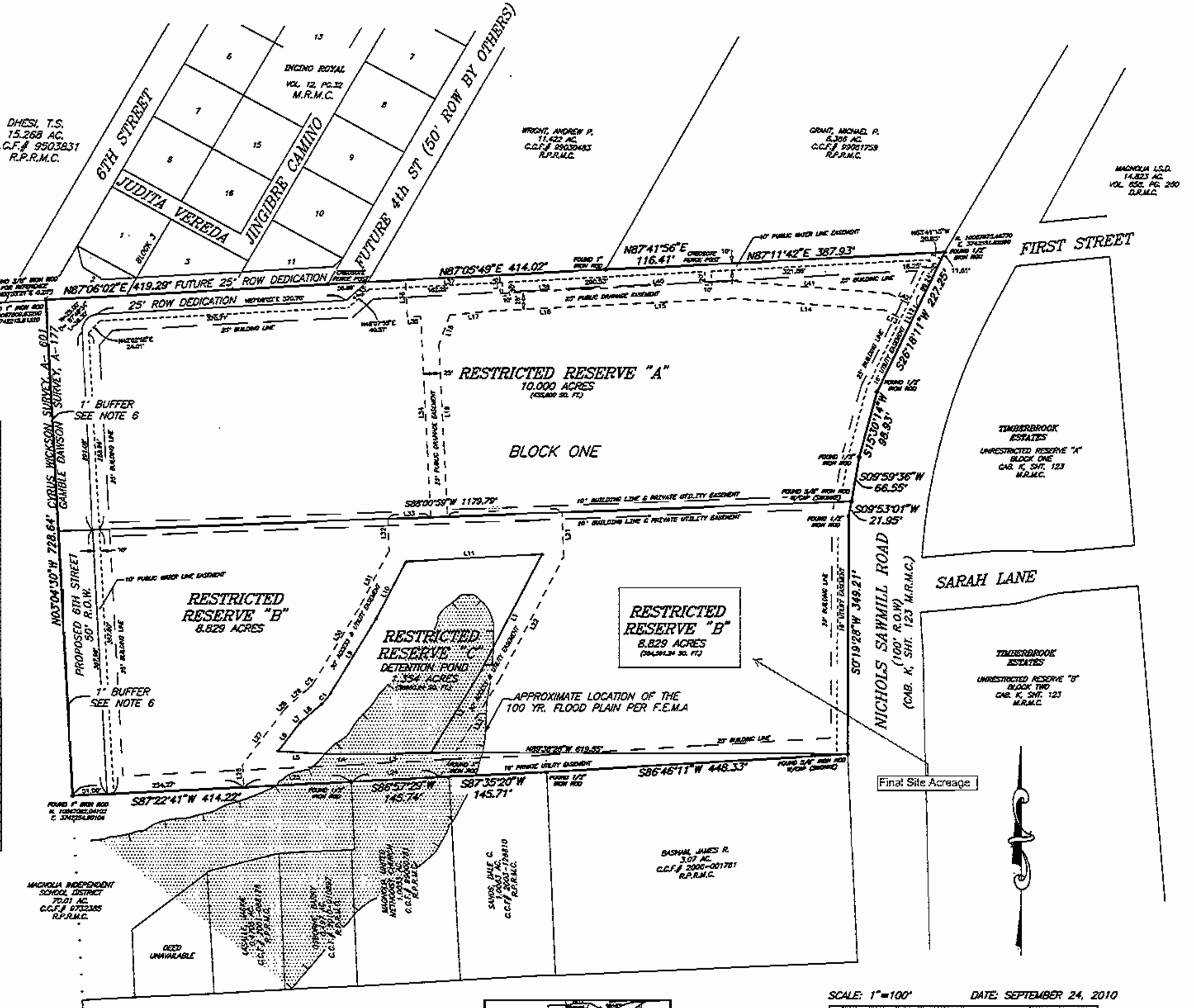


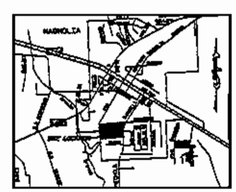
DORRIS, N.C.
PL. 19.7 AC.
VOL. 415, PG. 851
D.R.M.C.

GAMBLE DAWSON SURVEY, A-177
CYRUS WICKSON SURVEY, A- 601

MAGNOLIA INDEPENDENT SCHOOL DISTRICT
70.01 AC.
C.C.F.# 9732355
R.P.R.M.C.

| LINE | RADIUS | DELTA | BEARING/CHORD | CHORD DIST. | DIST./ARC |
|---|---|---|---|---|---|
| L1 | | | S28°02'34"W | | 192.43' |
| L2 | | | S31°59'12"W | | 142.46' |
| L3 | | | S88°10'15"W | | 105.68' |
| L4 | | | N88°21'49"W | | 52.63' |
| L5 | | | N86°36'12"W | | 69.60' |
| L6 | | | N37°36'08"E | | 52.14' |
| L7 | | | N43°46'33"E | | 2.15' |
| L8 | | | N49°56'59"E | | 40.43' |
| C1 | 70.00' | 18°01'41" | N40°56'09"E | 21.93' | 22.03' |
| L9 | | | N31°55'18"E | | 127.64' |
| L10 | | | N38°03'50"E | | 95.68' |
| L11 | | | N87°06'56"E | | 202.78' |
| L12 | | | S26°18'44"W | | 25.00' |
| L13 | | | N63°11'01"W | | 43.23' |
| L14 | | | N85°26'37"W | | 223.35' |
| L15 | | | S87°13'54"W | | 217.89' |
| L16 | | | S87°14'11"W | | 138.58' |
| L17 | | | S84°58'37"W | | 68.95' |
| L18 | | | S20°23'00"W | | 46.16' |
| L19 | | | S02°49'22"E | | 101.93' |
| L20 | | | N88°01'05"E | | 170.48' |
| L21 | | | S01°58'55"E | | 65.62' |
| L22 | | | S28°02'34"W | | 204.40' |
| L23 | | | S31°59'12"W | | 167.19' |
| L24 | | | S86°57'29"W | | 132.28' |
| L25 | | | S87°22'41"W | | 159.95' |
| L26 | | | N03°37'19"W | | 33.25' |
| L27 | | | N37°36'08"E | | 101.30' |
| L28 | | | N43°46'33"E | | 5.39' |
| L29 | | | N49°56'59"E | | 42.05' |
| C2 | 40.00' | 18°01'41" | N40°56'09"E | 12.53' | 12.59' |
| L30 | | | N31°55'18"E | | 126.63' |
| L31 | | | N26°03'50"E | | 96.69' |
| L32 | | | N01°58'55"W | | 46.70' |
| L33 | | | N88°01'05"E | | 63.68' |
| L34 | | | N02°49'22"W | | 104.45' |
| L35 | | | S87°10'38"W | | 20.00' |
| L36 | | | N02°49'39"W | | 54.14' |
| L37 | | | N87°05'49"E | | 140.01' |
| L38 | | | S02°46'12"E | | 26.69' |
| L39 | | | N87°14'11"E | | 128.69' |
| L40 | | | N87°13'54"E | | 219.49' |
| L41 | | | S85°26'37"E | | 229.87' |
| L42 | | | S63°11'01"E | | 47.93' |




VACINITY MAP

NOTES:

1. RESTRICTED RESERVE "A" IS LOCATED IN ZONE X AND IS NOT WITHIN THE 100-YEAR FLOODPLAIN AS SHOWN ON FIRM COMMUNITY PANEL NO. 48339C0459 F, EFFECTIVE DATE DECEMBER 19, 1996.

2. RESTRICTED RESERVES "B" & "C" ARE LOCATED IN ZONE X AND ZONE AE AND ARE PARTIALLY WITHIN THE 100-YEAR FLOODPLAIN AS SHOWN ON FIRM COMMUNITY PANEL NO. 48339C0459 F, EFFECTIVE DATE DECEMBER 19, 1996.

3. ALL CORNERS ARE SET 5/8" IRON RODS W/CAP UNLESS OTHERWISE SHOWN OR NOTED.

4. THIS PROPERTY IS LOCATED WITHIN THE PLANNED DEVELOPMENT AREA OF THE CITY OF MAGNOLIA.

5. RESERVE "C" IS RESTRICTED FOR A DETENTION POND.

6. THERE IS A (1') FOOT BUFFER ALONG THE WEST LINE TO RESTRICT INGRESS/EGRESS TO THE SUBJECT PROPERTY THIS BUFFER CAN NOT BE REMOVED WITHOUT A RE-PLAT OF THE ENTIRE 20.183 ACRES.

7. M.R.M.C. - DENOTES MAP RECORDS MONTGOMERY COUNTY, R.P.R.M.C. DENOTES REAL PROPERTY RECORDS MONTGOMERY COUNTY & C.C.F. NO. DENOTES COUNTY CLERKS FILE NUMBER.

8. HORIZONTAL AND VERTICAL CONTROL FOR THIS SURVEY IS BASED ON GPS NAD83, GEOID 03, TEXAS CENTRAL ZONE STATE PLANE COORDINATES.

OWNER: The Power Partnership
P.O. Box 266, Tomball, Texas 77377-0266
705 W. Main, Tomball, Texas 77375

OWNER: Magnolia, Texas Magnolia Bible Church
1010 South Magnolia Blvd.
Magnolia, Texas 77355

MOYER SURVEYING, LLC
3706 WEST DAVIS - CONROE, TX. 77304
PH: 936-756-2500 FAX: 936-539-9592

TEXAS BOARD OF PROFESSIONAL LAND SURVEYING
12100 PARK 35 CIRCLE
BLDG. A, SUITE 156, MC-230
AUSTIN, TEXAS 78753
PHONE 512-239-5263
FAX 512-239-5253

SCALE: 1"=100' DATE: SEPTEMBER 24, 2010

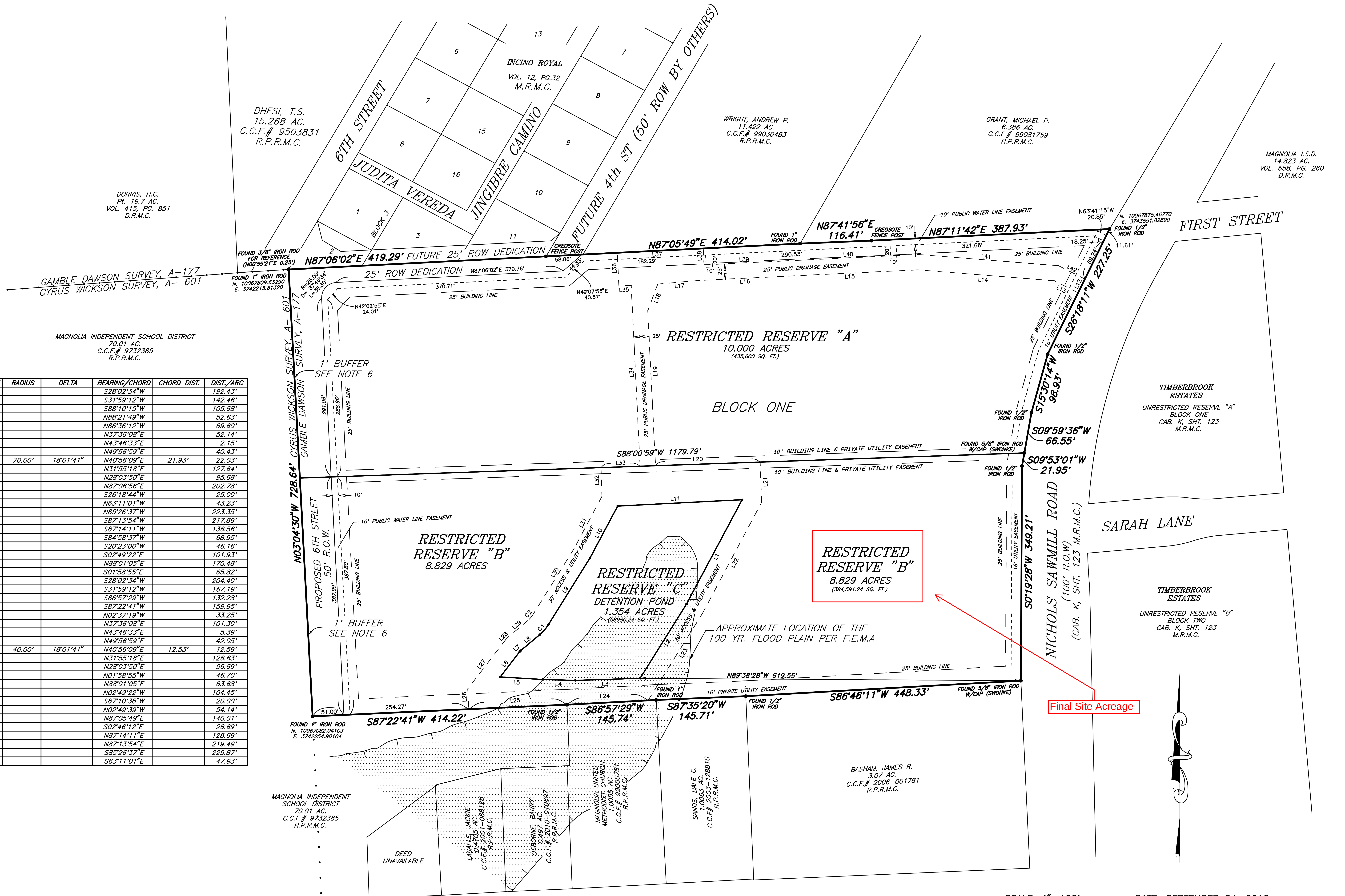
0 100 200 300

## MAGNOLIA BIBLE CHURCH COMMERCIAL RESERVES

3 RESERVES + 1 BLOCK

A SUBDIVISION OF 20.183 ACRES OF LAND
IN THE GAMBLE DAWSON SURVEY, A-177
MONTGOMERY COUNTY, TEXAS

SHEET 1 OF 2




| LINE | RADIUS | DELTA | BEARING/CHORD | CHORD DIST. | DIST./ARC |
|---|---|---|---|---|---|
| L1 | | | S28°02'34"W | | 192.43' |
| L2 | | | S31°59'12"W | | 142.46' |
| L3 | | | S88°10'15"W | | 105.68' |
| L4 | | | N88°21'49"W | | 52.63' |
| L5 | | | N86°36'12"W | | 69.60' |
| L6 | | | N37°36'08"E | | 52.14' |
| L7 | | | N43°46'33"E | | 2.15' |
| L8 | | | N49°56'59"E | | 40.43' |
| C1 | 70.00' | 18°01'41" | N40°56'09"E | 21.93' | 22.03' |
| L9 | | | N31°55'18"E | | 127.64' |
| L10 | | | N28°03'50"E | | 95.68' |
| L11 | | | N87°06'56"E | | 202.78' |
| L12 | | | S26°18'44"W | | 25.00' |
| L13 | | | N63°11'01"W | | 43.23' |
| L14 | | | N85°26'37"W | | 223.35' |
| L15 | | | S87°13'54"W | | 217.89' |
| L16 | | | S87°14'11"W | | 136.56' |
| L17 | | | S84°58'37"W | | 68.95' |
| L18 | | | S20°23'00"W | | 46.16' |
| L19 | | | S02°49'22"E | | 101.93' |
| L20 | | | N88°01'05"E | | 170.48' |
| L21 | | | S01°58'55"E | | 65.82' |
| L22 | | | S28°02'34"W | | 204.40' |
| L23 | | | S31°59'12"W | | 167.19' |
| L24 | | | S86°57'29"W | | 132.28' |
| L25 | | | S87°22'41"W | | 159.95' |
| L26 | | | N02°37'19"W | | 33.25' |
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| C2 | 40.00' | 18°01'41" | N40°56'09"E | 12.53' | 12.59' |
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| L37 | | | N87°05'49"E | | 140.01' |
| L38 | | | S02°46'12"E | | 26.69' |
| L39 | | | N87°14'11"E | | 128.69' |
| L40 | | | N87°13'54"E | | 219.49' |
| L41 | | | S85°26'37"E | | 229.87' |
| L42 | | | S63°11'01"E | | 47.93' |

NOTES:

1. RESTRICTED RESERVE "A" IS LOCATED IN ZONE X AND IS NOT WITHIN THE 100-YEAR FLOODPLAIN AS SHOWN ON FIRM COMMUNITY PANEL NO. 48339C0459 F, EFFECTIVE DATE DECEMBER 19, 1996.

2. RESTRICTED RESERVES "B" & "C" ARE LOCATED IN ZONE X AND ZONE AE AND ARE PARTIALLY WITHIN THE 100-YEAR FLOODPLAIN AS SHOWN ON FIRM COMMUNITY PANEL NO. 48339C0459 F, EFFECTIVE DATE DECEMBER 19, 1996.

3. ALL CORNERS ARE SET 5/8" IRON RODS W/CAP UNLESS OTHERWISE SHOWN OR NOTED.

4. THIS PROPERTY IS LOCATED WITHIN THE PLANNED DEVELOPMENT AREA OF THE CITY OF MAGNOLIA.

5. RESERVE "C" IS RESTRICTED FOR A DETENTION POND.

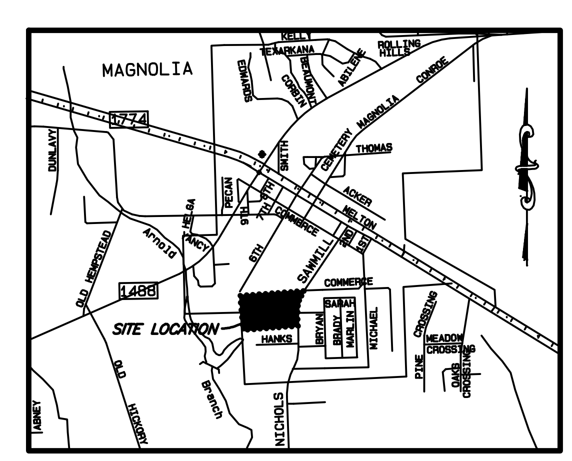
6. THERE IS A (1') FOOT BUFFER ALONG THE WEST LINE TO RESTRICT INGRESS/EGRESS TO THE SUBJECT PROPERTY THIS BUFFER CAN NOT BE REMOVED WITHOUT A RE-PLAT OF THE ENTIRE 20.183 ACRES..

7. M.R.M.C. – DENOTES MAP RECORDS MONTGOMERY COUNTY, R.P.R.M.C. DENOTES REAL PROPERTY RECORDS MONTGOMERY COUNTY & C.C.F. NO. DENOTES COUNTY CLERKS FILE NUMBER.

8. HORIZONTAL AND VERTICAL CONTROL FOR THIS SURVEY IS BASED ON GPS NAD83, GEOID 03, TEXAS CENTRAL ZONE STATE PLANE COORDINATES.

OWNER: The Power Partnership
P.O. Box 266, Tomball, Texas 77377-0266
705 W. Main, Tomball, Texas 77375

OWNER: Magnolia, Texas Magnolia Bible Church
1010 South Magnolia Blvd.
Magnolia, Texas 77355




VACINITY MAP
MONTGOMERY COUNTY KEY MAP PAGE: 212, BLOCK N

MOYER SURVEYING, LLC
3706 WEST DAVIS – CONROE, TX. 77304
PH: 936-756-2500 FAX: 936-539-9592

SCALE: 1"=100' DATE: SEPTEMBER 24, 2010

0 100 200 300

# MAGNOLIA BIBLE CHURCH COMMERCIAL RESERVES

3 RESERVES * 1 BLOCK

A SUBDIVISION OF 20.183 ACRES OF LAND
IN THE GAMBLE DAWSON SURVEY, A-177
MONTGOMERY COUNTY, TEXAS

TEXAS BOARD OF PROFESSIONAL LAND SURVEYING
12100 PARK 35 CIRCLE
BLDG. A, SUITE 156, MC-230
AUSTIN, TEXAS 78753
PHONE 512-239-5263
FAX 512-239-5253

SHEET 1 OF 2

C:\data\MISC 2010\10016 20 AC TOPO (LT SITE WORK)\10016.pro Oct 14, 2010 10:52:16AM J.S.L.

Detention Pond Agreement

# DETENTION POND AND EASEMENT AGREEMENT

This Detention Pond and Easement Agreement (this *"Agreement"*) is entered into effective as of August 3, 2010, by and among The Power Partnership (together with its successors and assigns, *"TPP"*), whose address is 705 W. Main, Tomball, TX 77375, Mark-Dana Corporation (together with its successors and assigns, *"MDC"*), whose address is 26302 Oak Ridge Drive, Suite 100, Spring, Texas 77380, and Magnolia Trails, LP (together with its successors and assigns, "MT"; and MDC and MT are sometimes hereinafter collectively the "**Mark-Dana Entities**"), whose address is 26302 Oak Ridge Drive, Suite 100, Spring, Texas 77380.

In December 2009 TPP sold and conveyed to Magnolia, Texas Magnolia Bible Church, a Texas non-profit corporation (*"Church"*), approximately 10.239 acres of real property located on Nichols Sawmill Road, Magnolia, Montgomery County, Texas, more particularly described and shown in **Exhibit A** attached hereto (*"Church Property"* or *"Reserve A"*), pursuant to Commercial Contract – Unimproved Property (the "Original Church Contract") by and between TPP and Church, as amended by First Amendment thereto effective as of December 30, 2009 and by Amendment to Detention Pond Agreement and Grant of Easements ("**Second Amendment**") as of July 19, 2010 (the Original Church Contract, as amended by the First Amendment thereto and the Second Amendment thereto, being hereinafter referred to as the "**Church Purchase Agreement**").

TPP owns approximately 9.896 acres of real property directly south of and adjacent to the Church Property, more particularly described and shown in **Exhibit B** attached hereto (*"TPP Property"*).

MDC and TPP entered into a Commercial Contract – Unimproved Property dated effective as of September 9, 2009, for the purchase by MDC of the TPP Tract ("**Original MT Contract**"), as assigned by MDC to MT and amended pursuant to First Amendment to Commercial Contract – Unimproved Property dated as of February 22, 2010 (the Original Magnolia Trails Contract, as assigned and amended by the First Amendment thereto, being hereinafter referred to as the "**MT Purchase Agreement**").

TPP and Church have agreed that Church will construct, operate and maintain a detention pond pursuant to the terms and conditions of Paragraph 27 of the Church Purchase Agreement (the "**Church Detention Pond Agreement**"). In addition, TPP and the Church entered into a Notice of Agreement effective as of December 30, 2009 ("**Notice Agreement**"), as amended by the Second Amendment, pursuant to which TPP and Church provided certain notices regarding TPP's and Church's agreement with respect to the detention pond described in the Church Purchase Agreement.

The parties hereto agree as follows:

1. Detention Pond; Pond Reserve. The detention pond ("**Detention Pond**") will be located on the 1.35 acre tract designated on **Exhibit C** attached hereto as the Pond Reserve ("**Pond Reserve**") and (ii) Church will construct, operate, and maintain the Detention Pond, at Church's expense in accordance with the terms and conditions of this Agreement. Reserve B ("**Reserve B**") will be the TPP Property less Pond Reserve as more particularly shown and described on **Exhibit C** attached hereto.

2. Ownership of Pond Reserve. TPP covenants and agrees that, for a period of fifty (50) years from the date hereof, TPP will not, without the prior written consent of the Mark-Dana Entities, (i) create any lien or encumbrance on Pond Reserve or (ii) transfer or convey Pond Reserve to any person or entity; provided, however, TPP may transfer or convey Pond Reserve to the City of Magnolia or Church, in each case, provided that (a) any future owner of Pond Reserve will agree



GF # 09406537
Unit 09— Vaughn
Stewart Title of Montgomery County

# DETENTION POND AND EASEMENT AGREEMENT

This Detention Pond and Easement Agreement (this ***"Agreement"***) is entered into effective as of August 3, 2010, by and among The Power Partnership (together with its successors and assigns, ***"TPP"***), whose address is 705 W. Main, Tomball, TX 77375, Mark-Dana Corporation (together with its successors and assigns, ***"MDC"***), whose address is 26302 Oak Ridge Drive, Suite 100, Spring, Texas 77380, and Magnolia Trails, LP (together with its successors and assigns, "**MT**"; and MDC and MT are sometimes hereinafter collectively the "**Mark-Dana Entities**"), whose address is 26302 Oak Ridge Drive, Suite 100, Spring, Texas 77380.

In December 2009 TPP sold and conveyed to Magnolia, Texas Magnolia Bible Church, a Texas non-profit corporation (***"Church"***), approximately 10.239 acres of real property located on Nichols Sawmill Road, Magnolia, Montgomery County, Texas, more particularly described and shown in **Exhibit A** attached hereto (***"Church Property"*** or ***"Reserve A"***), pursuant to Commercial Contract – Unimproved Property (the "Original Church Contract") by and between TPP and Church, as amended by First Amendment thereto effective as of December 30, 2009 and by Amendment to Detention Pond Agreement and Grant of Easements ("**Second Amendment**") as of July 19, 2010 (the Original Church Contract, as amended by the First Amendment thereto and the Second Amendment thereto, being hereinafter referred to as the "**Church Purchase Agreement**").

TPP owns approximately 9.896 acres of real property directly south of and adjacent to the Church Property, more particularly described and shown in **Exhibit B** attached hereto (***"TPP Property"***).

MDC and TPP entered into a Commercial Contract – Unimproved Property dated effective as of September 9, 2009, for the purchase by MDC of the TPP Tract ("**Original MT Contract**"), as assigned by MDC to MT and amended pursuant to First Amendment to Commercial Contract – Unimproved Property dated as of February 22, 2010 (the Original Magnolia Trails Contract, as assigned and amended by the First Amendment thereto, being hereinafter referred to as the "**MT Purchase Agreement**").

TPP and Church have agreed that Church will construct, operate and maintain a detention pond pursuant to the terms and conditions of Paragraph 27 of the Church Purchase Agreement (the "**Church Detention Pond Agreement**"). In addition, TPP and the Church entered into a Notice of Agreement effective as of December 30, 2009 ("**Notice Agreement**"), as amended by the Second Amendment, pursuant to which TPP and Church provided certain notices regarding TPP's and Church's agreement with respect to the detention pond described in the Church Purchase Agreement.

The parties hereto agree as follows:

1. Detention Pond; Pond Reserve. The detention pond ("**Detention Pond**") will be located on the 1.35 acre tract designated on **Exhibit C** attached hereto as the Pond Reserve ("**Pond Reserve**") and (ii) Church will construct, operate, and maintain the Detention Pond, at Church's expense in accordance with the terms and conditions of this Agreement. Reserve B ("**Reserve B**") will be the TPP Property less Pond Reserve as more particularly shown and described on **Exhibit C** attached hereto.

2. Ownership of Pond Reserve. TPP covenants and agrees that, for a period of fifty (50) years from the date hereof, TPP will not, without the prior written consent of the Mark-Dana Entities, (i) create any lien or encumbrance on Pond Reserve or (ii) transfer or convey Pond Reserve to any person or entity; provided, however, TPP may transfer or convey Pond Reserve to the City of Magnolia or Church, in each case, provided that (a) any future owner of Pond Reserve will agree



GF # 09406537
Unit 09– Vaughn
Stewart Title of Montgomery County

to operate and maintain and provide electricity for the Detention Pond (including, without limitation, the Detention Pond Pump (hereinafter defined)) at its expense (including, without limitation, after the Church Maintenance Period (hereinafter defined) and (b) any such transfer or conveyance will not result in any additional cost, expense or liability to any of the Mark-Dana Entities.

3. Construction of Detention Pond. TPP represents, warrants and agrees that (i) it will use its best efforts to ensure that Church will construct the entire Detention Pond on or before December 31, 2010; (ii) the Detention Pond will be sufficient to handle the full development runoff rates for Reserve A, Reserve B, and Pond Reserve with future improvements thereon in conformance with design requirements of all jurisdictional agencies having control and authority over approval of development plans and floodplain fill mitigation will be provided to allow for the filling and development of all land within Reserve A and Reserve B; (iii) Church will bear the cost of construction (including engineering, permitting, and construction management) of the Detention Pond; (iv) dirt removed from Pond Reserve to construct the Detention Pond and required for the construction of the church facilities on Reserve A shall be the property of Church and may be removed by Church to Reserve A; (v) no dirt shall be removed from Reserve B; provided, however, if the Drawings and Specifications for the Detention Pond approved by the City of Magnolia require the scraping of a portion of Restricted Reserve B adjacent to Reserve C in connection with the construction of the Detention Pond, Church shall have the right to perform the same, so long as any dirt resulting therefrom remains on Reserve B; and (vi) no excavation or earthwork will occur on Reserve B without the prior approval of the Mark-Dana Entities. TPP will use its best efforts to ensure that any excess dirt removed from Pond Reserve to construct the Detention Pond and not required for the construction of the church facilities on Reserve A will be stacked on Reserve B and will belong to the owners of Reserve B.

4. Provision of Electricity and Maintenance of Detention Pond. TPP represents, warrants and agrees that (i) it will use its best efforts to ensure that Church, at Church's expense, will maintain the Detention Pond in a clean and neat condition and Church will provide electricity to, and maintain in a good and operable condition, the pump for the Detention Pond depicted on the Drawings and Specifications for the Detention Pond (the "**Detention Pond Pump**"), each for a period terminating on the earlier of (i) December 31, 2015, or (ii) the date of acceptance of the Detention Pond by the City of Magnolia, whichever is the first to occur (the "**Church Maintenance Period**"); provided, however, Church shall not be responsible for the repair of any damage to the Detention Pond Pump caused by TPP, its officers, employees, tenants, contractors, agents, invitees or by anyone for whose actions TPP is responsible, all of which damage shall be repaired at TPP's expense. In the event the City of Magnolia does not accept the Detention Pond and responsibility for the operation thereof, including, without limitation, the Detention Pond Pump, by December 31, 2015, TPP agrees to accept such responsibility commencing January 1, 2016, and thereafter, at TPP's expense, to maintain and operate the Detention Pond, including, without limitation, the Detention Pond Pump.

5. Use and Enjoyment of the Detention Pond. TPP, with the prior consent and agreement of the Mark-Dana Entities, will establish reasonable and non-discriminatory rules and regulations governing the use and enjoyment of the Detention Pond. The owners of Reserve B shall have the right to use the Detention Pond for all of their drainage capacity needs.

6. Grant of Easements for Joint Use of Detention Pond. TPP hereby grants and conveys to the owners of Reserve B and any successor in fee title thereto, their respective successors, assigns, employees, tenants and invitees, a perpetual, non-exclusive easement for the use of the Detention Pond, along with further rights to enter upon Pond Reserve for all purposes including, without

limitation, operation, maintenance, improvements to, and utilization of the Detention Pond for drainage needs, and to install, inspect, maintain, and repair the Detention Pond. Such easements shall be free and clear of all liens or superior to any and all rights and liens on Pond Reserve. In addition, TPP may grant the Church access to Pond Reserve and the Detention Pond pursuant to a fifty foot (50') right of way easement adjacent to the Detention Pond across Reserve B at the locations on Reserve B designated as the Reserve A Connecting Easement on **Exhibit D** hereto (the "***Detention Pond Easement***") for the purpose of entering upon Pond Reserve and laying all necessary pipelines, lift station equipment and electrical cables under and across Pond Reserve and Reserve A Connecting Easement and utilizing the Detention Pond for drainage needs, and installing, inspecting and repairing the Detention Pond, including the Detention Pond Pump.

7. Maintenance and Capital Improvements of the Detention Pond. TPP represents, warrants and agrees that (i) Church and its successors and assigns, shall pay the cost of operating, maintaining and repairing the Detention Pond during the Church Maintenance Period; (ii) if after notice and reasonable time to respond, either TPP or Church has not performed necessary operations, maintenance or repairs, the owners of Reserve B may inspect, maintain, or repair the Detention Pond on reasonable notice to TPP and Church; and (iii) the owners of Reserve B may send an appropriate bill, if incurred, for such inspection, maintenance, or repair to TPP and Church, and TPP shall reimburse the repairing party within 30 days of receipt of the bill, or within the terms of the original invoice, whichever is earlier (it shall be TPP's responsibility to seek reimbursement from Church, if appropriate).

8. Release of Mark-Dana Entities. TPP HEREBY RELEASES MARK-DANA ENTITIES, THEIR RESPECTIVE OFFICERS, DIRECTORS, TRUSTEES AND EMPLOYEES (COLLECTIVELY, THE "RELEASED PARTIES") FROM ANY AND ALL LIABILITIES, INCLUDING, BUT NOT LIMITED TO, INJURY, DEATH, LOSSES, DAMAGES, JUDGMENTS, COSTS AND EXPENSES THAT TPP, ITS PARTNERS, OFFICERS, GUESTS, EMPLOYEES, TENANTS AND THEIR RESPECTIVE INVITEES MAY SUFFER OR INCUR AS A RESULT OR ARISING OUT OF THE DETENTION POND OR DETENTION POND PUMP, UNLESS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF MARK-DANA ENTITIES.

9. Liability and All Risk Property Insurance. TPP shall, and during the Church Maintenance Period, TPP shall use its best efforts to ensure that the owner of fee title to Reserve A (the "**Reserve A Owner**"), and the owner of fee title to Reserve B ("**Reserve B Owner**") shall maintain the following respective policies of general liability and all risk property insurance, issued by insurance companies authorized to do business in Texas:

(a) TPP shall, and during the Church Maintenance Period, TPP shall use its best efforts to ensure that the Reserve A Owner shall, maintain (i) a policy of all risk property damage insurance in an amount equal to the replacement value of the Detention Pond, covering loss or damage to the Detention Pond, except to the extent that loss or damage thereto was caused by the Reserve B Owner, its partners, members, officers, directors, employees, contractors, agents or others for whom the Reserve B Owner is legally responsible and (ii) a policy of commercial general liability insurance in an amount not less than $1,000,000.00, covering loss or damage to the Detention Pond caused by the Reserve A Owner, its partners, members, officers, directors, employees, contractors, agents, or others for whom the Reserve A Owner is legally responsible. Each of said policies shall provide that the same cannot be amended or cancelled except upon not less than thirty (30) days' prior written notice thereof to the Reserve B Owner, and the Reserve A Owner shall provide the Reserve B Owner with a certificate of insurance evidencing the same within thirty (30) days after completion of the Detention Pond, with subsequent certificates of insurance to be provided to the Reserve B Owner prior to the expiration of the then current policy of all risk insurance.

(b) The Reserve B Owner shall maintain a policy of commercial general liability insurance in an amount not less than $1,000,000.00, covering loss or damage to the Detention Pond caused by the Reserve B Owner, its partners, members, officers, directors, employees, contractors, agents, or others for whom the Reserve B Owner is legally responsible. Said policy shall provide that the same cannot be amended or cancelled except upon not less than thirty (30) days' prior written notice thereof to TPP and the Reserve A Owner, and the Reserve B Owner shall provide TPP and the Reserve A Owner with a certificate of insurance evidencing the same within thirty (30) days after the completion of the Detention Pond, with subsequent certificates of insurance to be provided to the Reserve A Owner prior to the expiration of the then current policy of commercial general liability insurance.

10. Covenants Running with the Land. TPP agrees that the agreements and obligations of TPP under this Agreement shall be covenants running with the land, binding upon TPP and any future owner or owners of fee title of Pond Reserve or any portion thereof, and inuring to the benefit of Mark-Dana Entities and any future owner of fee title to Reserve B or any portion thereof. Each of the Mark-Dana Entities agrees that the agreements and obligations of Mark-Dana Entities under this Agreement shall be covenants running with the land, binding upon Mark-Dana Entities and any future owner of fee title Reserve B or any portion thereof, and inuring to the benefit of TPP. Notwithstanding anything herein to the contrary, none of the Mark-Dana Entities or any future owners of Reserve B shall have any obligation to maintain or operate, the Detention Pond (including, without limitation, the Detention Pond Pump).

11. Indemnification. TPP hereby indemnifies, exonerates, and holds Mark-Dana Entities and any future owner or owners of fee title of Reserve B, their respective principals, officers, directors, agents, employees, servants and all persons for whom such party is legally responsible (collectively, the "**Indemnified Parties**") from and against any loss, cost, damage and expense of whatever kind arising directly or indirectly from TPP's breach of this Agreement, including, but not limited to, reasonable attorneys' fees and court costs, except to the extent such loss, damage, cost or expense is directly due to the gross negligence or willful misconduct of the Indemnified Parties. The provisions of this Section shall survive termination of this Agreement.

12. Release and Waiver of Subrogation Rights. To the extent allowable under the laws and regulations governing the writing of insurance required with Texas, the parties each release the other and their respective agents and employees from all liability to each other, or anyone claiming through or under them, by way of subrogation or otherwise, for any loss or damage to property caused by or resulting from risks insured against under this Agreement, pursuant to insurance policies carried by the parties which are in force at the time of the loss or damage. The parties will each request its insurance carrier to include in policies provided pursuant to this Agreement and endorsement recognizing this waiver of subrogation. The provisions of the Section shall survive termination of this Agreement.

13. Remedies. (a) In the event any party breaches any term or condition of this Agreement, the non-breaching party shall have available to them any remedies available at law or in equity, except for any remedy which would deprive any tenant, guest or invitee of any party the use of the Detention Pond, as intended by this Agreement.

(b) In the event of any controversy, claim or action being filed or instituted to enforce or interpret any of the terms of this Agreement, the prevailing party will be entitled to receive from the other party all costs, damages and expenses, including reasonable attorney's fees incurred by the prevailing party, whether or not such controversy or claim is litigated or prosecuted to judgment.

(c) The failure of a party to insist upon strict performance of any of the terms, covenants, conditions or agreements contained herein shall not be deemed a waiver of any rights or remedies that said party may have, and shall not be deemed a waiver of any subsequent breach or default in the performance of any of the terms, covenants, conditions or agreements contained herein by the same or any other party.

(d) In addition to the remedies set forth in this Agreement, each party entitled to enforce this Agreement shall have all other remedies provided by law to the same extent as if fully set forth herein word for word. No remedy herein conferred upon, or reserved to any party, shall exclude any other remedy herein or by law provided, but each shall be cumulative.

14. Amendments. This Agreement may not be amended, modified or changed except by a writing signed by all of the parties hereto.

15. Survival of MT Purchase Agreement Closing. The parties hereto acknowledge and agree that the provision of this Agreement shall survive the closing of the MT Purchase Agreement and shall remain in full force and effect.

16. Recordation. Concurrent with the closing of the MT Purchase Agreement or promptly thereafter, a fully executed counterpart hereof shall be recorded in the Official Public Records of Montgomery County, Texas.

17. Notice. All notices shall be addressed to the parties at such addresses as are specified in page one of this Agreement, or as the parties may from time to time direct in writing. Any notice under this Agreement shall be in writing and be delivered in person or by public or private courier service (including U.S. Postal Service Express Mail and Federal Express) or certified mail or facsimile. Any notice given by certified mail shall be sent with return receipt requested. Any notice given by facsimile shall be verified by a facsimile confirmation.

18. Binding Agreement. This Agreement shall extend to and bind the representatives, successors and assigns of the parties hereto and shall run with the land.

19. Severability. If any term or provision of this Agreement or the application of it to any party or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to parties or circumstances, other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

20. Not a partnership. The provisions of this Agreement are not intended to create, nor shall they be in any way interpreted or construed to create a joint venture, partnership, or any other similar relationship between the parties.

21. Captions and Headings. The captions and headings in this Agreement are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

22. Exhibits and Recitals. The recitals above and the exhibits attached are incorporated herein and made a part hereof to the full extent as if each were set forth in its entirety in the body hereof.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute on and the same instrument. Delivery of an executed counterpart of the signature page of this Agreement by facsimile or email shall be equally as effective as delivery of a manually executed counterpart of this Agreement.

24. MT Purchase Agreement. The terms and provision set forth in this Agreement shall modify and supersede all inconsistent terms and provision set forth in the MT Purchase Agreement, and, except as expressly and specifically modified and superseded by this Agreement, the terms and provisions of the MT Purchase Agreement are ratified and confirmed and shall continue in full force and effect. This Agreement is executed in connection with the MT Purchase Agreement and the parties hereto and this Agreement are entitled to all of the benefits and provisions of the MT Purchase Agreement.

IN WITNESS WHEREOF, TPP, MDC, and MT have hereunto affixed their hands effective as of the date first written above.

THE POWER PARTNERSHIP

By: Robt C. Whitaker

Robert C. Whitaker
Managing Partner

MARK-DANA CORPORATION

By: David Mark Koogler

David Mark Koogler
President

MAGNOLIA TRAILS, LP
By: Magnolia Tails Advisors, LLC,
Its General Partner
By: Mark-Dana Corporation,
Its Sole Member

By: David Mark Koogler

David Mark Koogler
President

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on 8-4-2010, 2010 by Robert C. Whitaker, Managing Partner of The Power Partnership, a Texas general partnership, on behalf of said partnership.

CINDY ALLISON
MY COMMISSION EXPIRES
August 25, 2013

Cindy Allison
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on 8-5-10, 2010 by David Mark Koogler, President of Mark-Dana Corporation, a Virginia corporation, on behalf of said corporation.

TOBY WILLIAMS
Notary Public, State of Texas
My Commission Expires
January 23, 2013

TJ Williams
NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on 8-5-10, 2010 by David Mark Koogler, President of Mark-Dana Corporation, a Virginia corporation, on behalf of said corporation, sole member of Magnolia Trails Advisors, LLC, a Texas limited liability company, general partner of Magnolia Trials, LP, a Texas limited partnership.

TOBY WILLIAMS
Notary Public, State of Texas
My Commission Expires
January 23, 2013

TJ Williams
NOTARY PUBLIC, STATE OF TEXAS

10061 - Magnolia Trails

EXHIBIT A

RESERVE A
CHURCH PROPERTY

Being a 10.239 acre tract of land in the Gamble Dawson Survey, Abstract No. 177, in Montgomery County, Texas, out of and a part of that certain 20.135 acre tract of land described in deed recorded under Clerk's File No. 2009-031788 of the Official Public Records of Real Property of Montgomery County, Texas, said 10.239 acres is hereafter referred to as "the subject tract" and is more particularly described as follows:

BEGINNING at a ½ inch iron rod found lying in the West right-of-way line of Nichols Sawmill Road and marking the Northeast corner of the subject tract and the said 20.135 acre tract (hereafter called "parent tract"). Said point also marks the Southeast corner of that certain 6.38 acre tract of land described in Volume 971, Page 302 (MCDR);

THENCE South 28°58'44" West, with the West line of Nichols Sawmill Road and the East line of the parent tract, a distance of 227.17 feet to a ½ inch iron rod found for angle;

THENCE South 18°07'15" West, continuing with the West line of Nichols Sawmill Road and the East line of the parent tract, a distance of 99.01 feet to a ½ inch iron rod found for angle;

THENCE South 12°37'01" West, continuing with the West line of Nichols Sawmill Road and the East line of the parent tract, a distance of 66.52 feet to a 5/8 inch iron rod set to mark the Southeast corner of the subject tract, and the Northeast corner of a 9.896 acre tract also being the remainder of the parent tract;

THENCE South 89°46'55" West, departing the West line of Nichols Sawmill Road and the East line of the parent tract, a distance of 1179.59 feet to a 5/8 inch iron rod set (3 feet West of a fenceline) in the East line of the Cyrus Wickson Survey (A-601) and that certain 25.126 acre tract of land described under Clerk's File No. 7519719, in the West line of the parent tract, in the lower West line of the said Dawson Survey, and marking the Southwest corner of the subject tract;

THENCE North 00°24'23" West, with the said common Survey Line, a distance of 358.64 feet to a 1 inch iron rod found lying at the South end of 6th Street and marking the Northwest corner of the subject tract and the parent tract, and the Northeast corner of the said 25.126 acre tract;

THENCE North 89°50'20" East, with the North line of the parent tract and the South line of that certain 20.99 acre tract of land described in Volume 92, Page 186 (MCDR), a distance of 949.71 feet to a ten inch (10") diameter creosote fence corner post found for angle point in the North line of the subject tract and the parent tract, and marking the Southeast corner of the said 20.99 acre tract, and the Southwest corner of the said 6.38 acre tract;

THENCE North 89°51'41" East, continuing with the North line of the parent tract, a distance of 387.81 feet to the POINT OF BEGINNING and containing 10.239 acres of land, upon which is situated a residence whose address is 31611 Nichols Sawmill Road, Magnolia, TX 77355.

NOTE #1: These field notes are submitted in conjunction with a plat by Tony Swonke Land Surveying dated October 21, 2009, reference to which is here made.

NOTE #2: Basis of Bearings is the South line of the parent tract being South 89°47'00" West.

STATE OF TEXAS REGISTERED PROFESSIONAL LAND SURVEYOR TONY P. SWONKE 4767

Tony P. Swonke
RPLS No. 4767
October 21, 2009

HOU03:1226423.2

EXHIBIT B
TPP PROPERTY

FIELD NOTES

Being a 9.896 acre tract of land in the Gamble Dawson Survey, Abstract No. 177, in Montgomery County, Texas, out of and a part of that certain called 19.790 acre tract of land described in deed recorded under Clerk's File No. 2005-085932 of the Official Public Records of Real Property of Montgomery County, Texas, said 19.790 acres is hereafter referred to as "the subject tract" and is more particularly described as follows:

**BEGINNING** at a ¾ inch iron rod set (in place of a 1 inch iron rod found leaning) in the West right-of-way line of Nichols Sawmill Road, and marking the Southeast corner of the subject tract and the said 19.790 acre tract (hereafter called "parent tract"), and the Northeast corner of that certain 20.5 acre tract of land described in Volume 256, Page 432, of the Deed Records of Montgomery County, Texas;

**THENCE** South 89°47'00" West (Reference Bearing based on deed of parent tract), with the North line of the said 20.5 acre tract, a distance of 1153.96 feet (called 1145.69') to a 1 inch iron rod found lying in the East line of the Cyrus Wickson Survey (A-601) and that certain 25.126 acre tract of land described under Clerk's File No. 7519719, in the lower West line of the said Dawson Survey, and marking the Southwest corner of the subject tract and the parent tract, and the Northwest corner of the said 20.5 acre tract;

**THENCE** North 00°24'23" West (called N 00°25'49" W), with West line of the parent tract and the said common Survey Line, a distance of 370.00 feet to a 5/8 inch iron rod set to mark the Northwest corner of the subject tract;

**THENCE** North 89°46'55" East, departing the West line of the parent tract and the East line of the said 25.126 acre tract, a distance of 1179.59 feet to a 5/8 inch iron rod set in the East line of the parent tract, in the West line of Nichols Sawmill Road, and marking the Northeast corner of the subject tract;

**THENCE** South 12°37'01" West (called S 15°55'44" W), with the West line of Nichols Sawmill Road, a distance of 21.92 feet to a ½ inch iron rod found for angle point in the East line of the subject tract and the parent tract;

**THENCE** South 02°59'22" West (called S 01°03'31" W), continuing with the West line of Nichols Sawmill Road, a distance of 349.20 feet (called 347.11') to the **POINT OF BEGINNING** and containing 9.896 acres of land.

NOTE #1: These field notes are submitted in conjunction with a plat by Tony Swonke Land Surveying dated November 6, 2008, reference to which is here made.

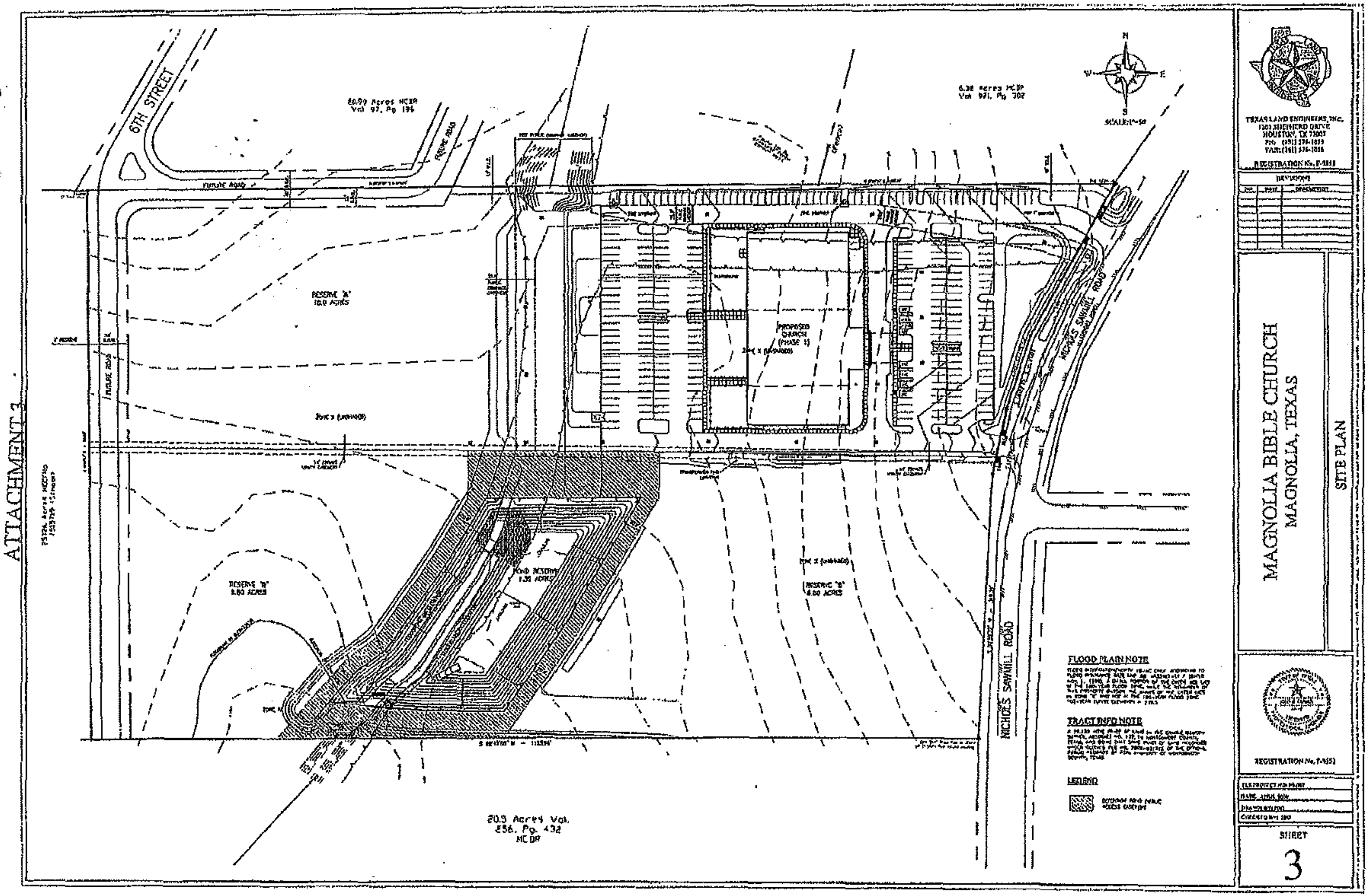
STATE OF TEXAS REGISTERED TONY P. SWONKE 4767 PROFESSIONAL LAND SURVEYOR

Tony P. Swonke
RPLS No. 4767
November 6, 2008

10061 - Magnolia Trails

EXHIBIT C

ATTACHMENT 3



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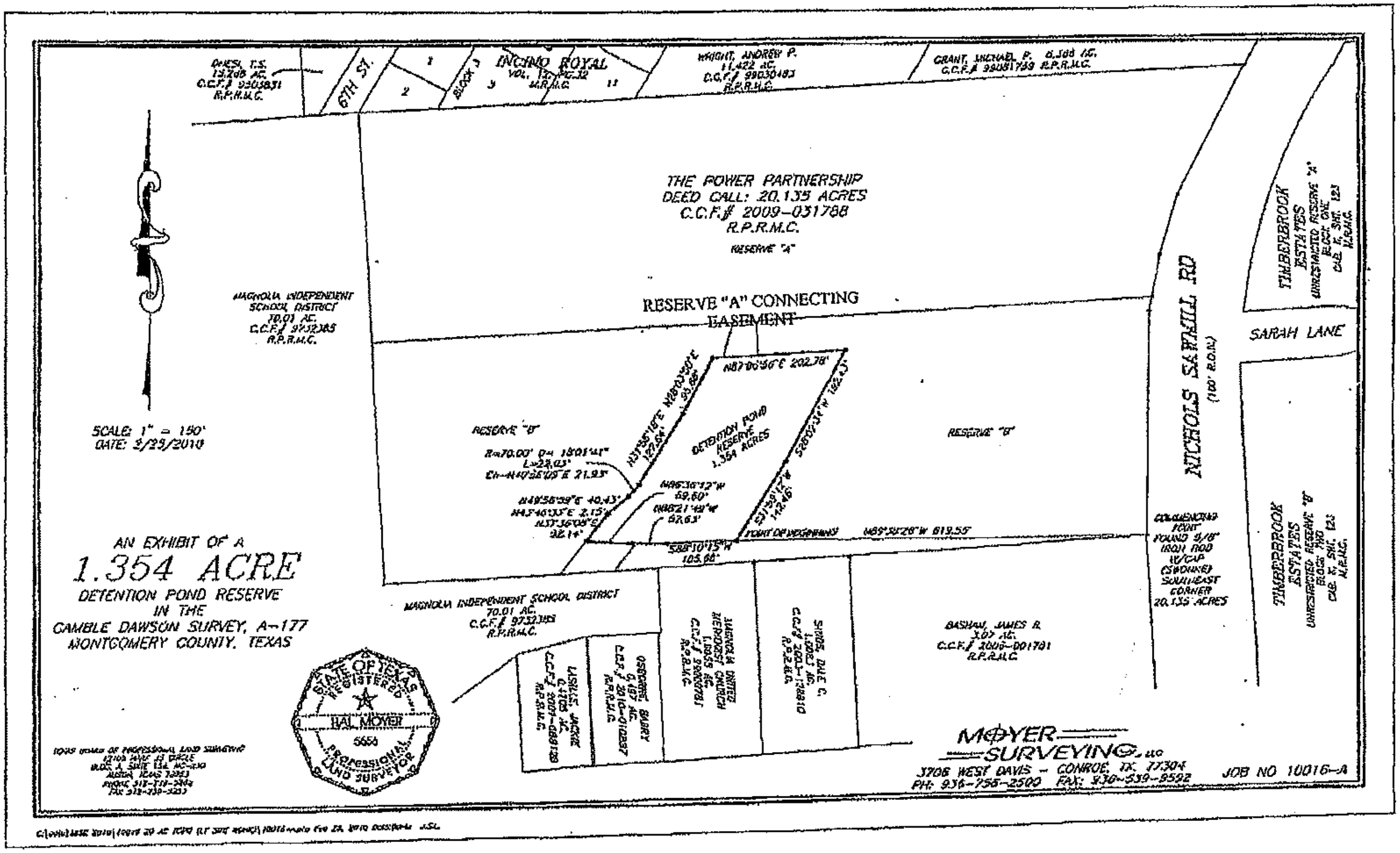



ATTACHMENT 4

EXHIBIT D

10061 - Magnolia Trails
Doc# 2010080789
Pages: 12

E-FILED FOR RECORD
09/10/2010 2:09PM

Mark Turnbull
COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF MONTGOMERY
I hereby certify this instrument was e-FILED in file number sequence on the date and at the time stamped herein by me and was duly e-RECORDED in the Official Public Records of Montgomery County, Texas.

09/10/2010

COUNTY COURT OF MONTGOMERY COUNTY TEXAS

Mark Turnbull
County Clerk
Montgomery County, Texas

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

# Memorandum

**To:** File

**From:** Thomas Cavanagh, Real Estate Analysis

**cc:** Valentin DeLeon, Multifamily Finance Production

**Date:** November 1, 2010

**Re:** Amendment Request for Magnolia Trails, TDHCA #10061

**Background**
The Development was submitted and approved for an allocation of 9% tax credits in the amount of $906,277 during the 2010 9% HTC cycle.

**Amendment Request**
In a letter dated October 14, 2010 and a subsequent email on October 15, 2010, the Owner requested approval for the following changes:

> Site Acreage and Residential Density – The purchase agreement for the land, as amended, that was submitted during the application process calls for the acquisition of 9.896 acres; this includes approximately 1.35 acres intended for use as a detention pond that will satisfy the detention requirements for both the subject 9.896 acre tract as well as the tract immediately to the north owned by the Magnolia Bible Church ("The Church"). The purchase agreement, as amended, anticipated that if an agreement was reached between the Church and the Seller whereby the Church would construct and maintain the detention pond, then the Owner could reduce the property purchased to exclude the 1.35 acre detention pond.
>
> The Owner now requests an amendment to reduce the site from 9.896 acres to approximately 8.829 acres. The final plat indicated total acreage of 10.183 acres, and from that acreage, the 1.35 acre detention pond has been subtracted. As a result, the final site acreage is reduced by 10.78%, resulting in an effective increase in unit density from 8.08 units per acre to 9.06 units per acre (an increase of 12.13%). An amendment is required because unit density is increased by more than 5%.

**Conclusion**
The Owner reports that the proposed change has no impact on the total development cost.

The purchase agreement, as amended, specifies that in consideration for obtaining access to all required detention capacity, the reduction in size of the property purchased will not result in an adjustment of the purchase price.

The Owner also states that “site work costs should not change because the cost saving associated with not building the detention pond will be offset with the cost of having to import fill dirt needed for creating the proper drainage flow and leveling of the site.”

The proposed site plan is unchanged from the previous underwriting; however, the final plat indicates that the originally proposed site is 10.183 acres rather than the previously proposed 9.896 acres. Additionally, the amendment requests approval for the change of the ownership of the 1.35 acre detention pond. The possibility of this change was anticipated at the original underwriting. The development continues to receive the full benefit of the capacity of the detention pond. While unit density technically increases due to less acreage owned by the development, the physical density of the larger tract decreases since the detention pond will still be constructed and the actual acreage of the larger tract is greater than originally anticipated.

The Underwriter’s analysis indicates that the requested changes do not negatively impact the underwriting of the transaction. No change to the credit recommendation is recommended prior to the completion of the cost certification review process.

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

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/14/10 PROGRAM: 9% HTC FILE NUMBER: **10061**

## DEVELOPMENT

### Magnolia Trails

Location: 31000 Block of Nichols Sawmill Road Region: 6

City: Magnolia County: Montgomery Zip: 77355 ☐ QCT ☑ DDA

Key Attributes: Elderly, Rural, New Construction, and Multifamily

## ALLOCATION

| | REQUEST | | | **RECOMMENDATION** | | |
|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** |
| Housing Tax Credit (Annual) | $908,909 | | | **$906,277** | | |

## CONDITIONS

1. Receipt, review, and acceptance, by commitment, of a commitment from Montgomery County Community Development for the proposed loan with the terms clearly stated.
2. Receipt, review, and acceptance, by cost certification, of an executed Land Use Restriction Agreement (LURA) with the Department restricting the entire 9.89 acre site.
3. Receipt, review, and acceptance, by cost certification, of an architectural engineer's certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives, parking and amenities are not more than 6 inches below the floodplain, or a Letter of Map Amendment ("LOMA") or Letter of Map Revision ("LOMR-F") indicating that the development is no longer within the 100 year floodplain restricting the entire 9.89 acre site.
4. Receipt, review, and acceptance, by cost certification, of an executed agreement by the seller of the land "The Power Partnership" the church which is located directly north of the subject property that they have agreed to construct, operate, and maintain a regional detention pond on the western side of the subject development at their expense.
5. Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

## SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---|---|---|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 4 |
| 50% of AMI | 50% of AMI | 36 |
| 60% of AMI | 60% of AMI | 40 |

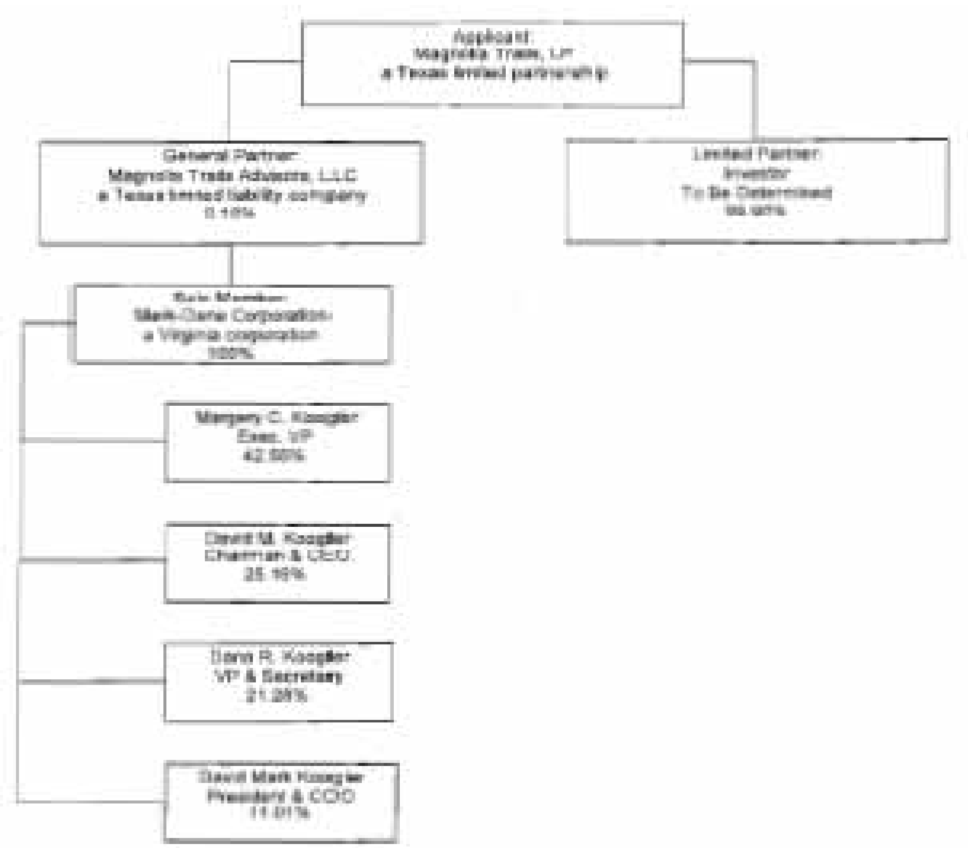
| STRENGTHS/MITIGATING FACTORS | WEAKNESSES/RISKS |
| --- | --- |
| ▫ There was a 52.6% increase in population in the Primary Market Area from 2000 to 2009.<br>▫ The primary market area will require an additional 382 rental dwelling units overall, including 216 senior rental units. This reflects the aging of the population within the Primary Market Area.<br>▫ Seven stabilized senior developments in the surrounding area each report occupancy of at least 97%.<br>▫ The gross capture rate is 4.2%, and the unit capture rate for each unit type is 8% or lower. | |

## PREVIOUS UNDERWRITING REPORTS

Previously underwritten during 2009 tax credit cycle, TDHCA #09102.

## DEVELOPMENT TEAM

### OWNERSHIP STRUCTURE




### CONTACT

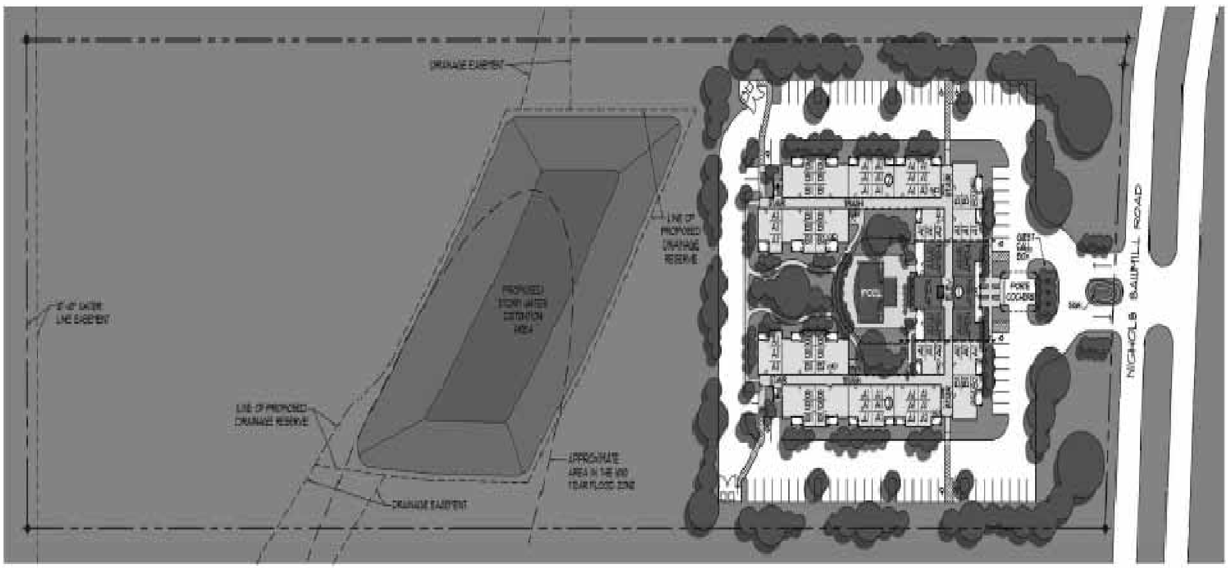
Contact: David Mark Koogler    Phone: (713) 906-4460    Fax: (281) 419-1991
Email: dkoogler@mark-dana.com

## IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

## PROPOSED SITE

### SITE PLAN




Comments:

The Applicant has indicated that the entire 9.89 acre site will be restricted by the Tax Credit LURA.

### BUILDING CONFIGURATION

| Building Type | 1 | 2 | 3 | | | | | | | | Total Buildings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Floors/Stories | 3 | 3 | 3 | | | | | | | | |
| Number | 1 | 1 | 1 | | | | | | | | **3** |

| BR/BA | | SF | Units | | | | | | | | | | Total Units | Total SF |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 729 | 8 | 21 | 21 | | | | | | | | 50 | 36,450 |
| 2 | 2 | 990 | 0 | 15 | 15 | | | | | | | | 30 | 29,700 |
| Units per Building | | | 8 | 36 | 36 | | | | | | | | **80** | **66,150** |

### SITE ISSUES

| | | | | | |
|---|---|---|---|---|---|
| Total Size: | 9.896 acres | Scattered site? | ☐ Yes | ☑ No | |
| Flood Zone: | Part: AE / Bal. X | Within 100-yr floodplain? | ☑ Yes | ☐ No | |
| Zoning: | No Zoning | Needs to be re-zoned? | ☐ Yes | ☑ No | ☐ N/A |

Comments:

The City of Magnolia does not have a zoning ordinance.

The Applicant has acknowledged in the application that part of the site is located within the 100-year Flood Hazard Area, and that the development will be designed and constructed as required by the QAP §49.6(a): "Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements."

The seller of the land, The Power Partnership, the church which is located directly north of the subject property, has agreed to construct, operate, and maintain a regional detention pond on the western side of the subject development at their expense. A written agreement will be made a condition of this report.

## TDHCA SITE INSPECTION

Inspector: TDRA Staff Date: 4/21/2010

Overall Assessment:

☐ Excellent ☑ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Single residence; Wooded/School East: Subdivision Entrance; Housing

South: Residences; self-storage complex West: Wooded; wooded

Comments:

None

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/24/2009

Recognized Environmental Concerns (RECs) and Other Concerns:

- "This assessment has revealed no evidence of recognized environmental conditions in connection with the property." (p. 3)

## MARKET ANALYSIS

Provider: Apartment MarketData Date: 2/24/2010

Contact: Darrell Jack Phone: (210) 530-0040

Number of Revisions: none Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 428 sq. miles 12 mile equivalent radius

The Primary Market Area is defined as 8 census tracts surrounding the town of Magnolia, straddling Montgomery, Grimes, and Waller counties.

Extended Market Area (SMA): 593 sq. miles 14 mile equivalent radius

The Market Analyst did not define a Secondary Market Area. However, HomeTowne at Tomball (#060414, aka Gardens at Tomball) is a comparable property, funded in 2006, which has not yet achieved stabilized operation. This property is located 12 miles from the subject and four miles outside the PMA. Approximately 65% of the population of the subject PMA is concentrated in four census tracts common to the subject PMA and the PMA defined for HomeTowne at Tomball. The Underwriter has therefore evaluated the overall supply and demand for an Extended Market Area defined by the combined PMA's for the subject and HomeTowne at Tomball.

ELIGIBLE HOUSEHOLDS BY INCOME

Montgomery County Income Limits

| HH size | 30% of AMI | | 40% of AMI | | 50% of AMI | | 60% of AMI | |
|---|---|---|---|---|---|---|---|---|
| | min | max | min | max | min | max | min | max |
| 1 | $8,592 | $13,400 | --- | --- | $14,352 | $22,350 | $17,208 | $26,820 |
| 2 | $8,592 | $15,300 | --- | --- | $14,352 | $25,500 | $17,208 | $30,600 |
| 3 | --- | --- | --- | --- | $17,208 | $28,700 | $20,664 | $34,440 |
| 4 | --- | --- | --- | --- | --- | --- | --- | --- |
| 5 | --- | --- | --- | --- | --- | --- | --- | --- |
| 6 | --- | --- | --- | --- | --- | --- | --- | --- |

| AFFORDABLE HOUSING INVENTORY in PRIMARY MARKET AREA | | | | | |
|---|---|---|---|---|---|
| File # | Development | Type | Target Population | Comp Units | Total Units |
| Proposed, Under Construction, and Unstabilized Comparable Developments | | | | | |
| | None | | | 0 | |

| COMPARABLE SUPPLY in EXTENDED MARKET | | | | | |
|---|---|---|---|---|---|
| 060414 | Hometowne at Tomball | new | senior | 210 | 210 |
| Other Affordable Developments in EXTENDED MARKET since 2006 | | | | | |
| 08128 | Mid-Towne Apts II | rehab | family | n/a | 54 |
| Stabilized Affordable Developments in EXTENDED MARKET ( pre-2006 ) | | | | | |
| | Total Properties ( pre-2006 ) | 4 | Total Units | | 236 |

Proposed, Under Construction, and Unstabilized Comparable Supply:

There are no other affordable properties located within the Primary Market Area; HomeTowne at Tomball is the only unstabilized comparable property located within the Extended Market Area.

It should be noted that the subject market areas are northwest of the greater Houston area. There are numerous affordable developments located just south and east of the Extended Market Area of this analysis, including several unstabilized or proposed senior developments. However, the market areas for these properties do not target the population of the subject PMA.

| OVERALL DEMAND ANALYSIS | | | |
|---|---|---|---|
| | **Market Analyst** | **Underwriter** | |
| | **PMA** | **PMA** | **Extended Market** |
| Total Households in the Primary Market Area | 23,242 | 23,242 | 97,816 |
| Target Households in the Primary Market Area | 7,308 | 8,050 | 31,151 |
| | | | |
| Potential Demand from the Primary Market Area | 2,255 | 2,411 | 6,885 |
| Potential Demand from Other Sources | 0 | 0 | 0 |
| **GROSS DEMAND** | **2,255** | **2,411** | **6,885** |
| | | | |
| Subject Affordable Units | 80 | 80 | 80 |
| Unstabilized Comparable Units | 0 | 0 | 210 |
| **RELEVANT SUPPLY** | **80** | **80** | **290** |
| | | | |
| **Relevant Supply / Gross Demand = GROSS CAPTURE RATE** | **3.5%** | **3.3%** | **4.2%** |

Demand Analysis:

The Market Analyst identified Gross Demand for 2,255 units based on income-eligible 1-3 person senior households in the PMA. This results in a Gross Capture rate of 3.5% for the subject 80 units. The Underwriter has determined Gross Demand for 2,411 units based on all income-eligible senior households in the PMA, and a Gross Capture Rate of 3.3%.

While HomeTowne at Tomball has recently reported 100% occupancy, it has not been at least 90% occupied for twelve months, and is therefore not considered stabilized. Since 65% of the target PMA population is common to the market area for HomeTowne at Tomball, the Underwriter has evaluated demand for the Extended Market Area formed by the combined PMAs. This analysis indicates Gross Demand for 6,885 units, and a Gross Capture Rate of 4.2% for a total Relevant Supply of 290 units.

The maximum Gross Capture Rate for a development targeting senior households is 10%. The analysis indicates sufficient demand to support the proposed development as well as the existing units at HomeTowne at Tomball.

| UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Market Analyst | | | | | Underwriter | | | |
| Unit Type | | Demand | Subject Units | Comp Units | Unit Capture Rate | | Demand | Subject Units | Comp Units | Unit Capture Rate |
| 1 BR/30% | | 58 | 4 | 0 | 7% | | 325 | 4 | 0 | 1% |
| 1 BR/50% | | 62 | 27 | 0 | 44% | | 535 | 27 | 0 | 5% |
| 1 BR/60% | | 80 | 19 | 0 | 24% | | 237 | 19 | 0 | 8% |
| 2 BR/50% | | 26 | 9 | 0 | 35% | | 392 | 9 | 0 | 2% |

footnote: Market Analyst's data only considers renter households; Underwriter's data includes homeowners

Primary Market Occupancy Rates:

The subject application was previously submitted during the 2009 cycle. The market study reports overall occupancy of 79.8% at surveyed properties with a total of 568 units; occupancy of those same surveyed properties one year prior was 95.6%.

The 568 units includes 3 projects: Magnolia Plaza with 36 units, The Park at Walkers Landing with 64 units, and Stone Ridge with 468 units. After discussion with the Market Analyst, it turns out that Stone Ridge is located outside the PMA in Conroe. So there are actually only 100 multifamily units in the PMA, with a 92% combined occupancy (100% at Magnolia Plaza and 88% at Walkers Landing). The significant decrease in occupancy at Stone Ridge, which skewed the reported occupancy, is partially attributable to limited access resulting from construction in front of the property along I45.

The Market Analyst has provided additional data on HTC properties targeting seniors in the surrounding areas including Hempstead / Prairie View to the west, Tomball to the south, and Conroe to the east. Of eight properties with a total of 808 units, seven properties report occupancy of at least 97%. The sole exception is Woodside Manor (#060421) in Conroe, which is still under construction; only 50% of the units are in service, and 80% of those are leased.

Absorption Projections:

"Due to limited new supply, we see only 176 units absorbed since 2005-2010 ... There are no newer 'affordable' projects within the PMA upon which to draw any conclusions." (p. 52)

Market Impact:

HomeTowne at Tomball has reported to the Department that they have had difficulty locating income-eligible senior tenants, and as a result they have leased a number of units to over-income households. The available information does not corroborate this issue. The additional data on senior occupancy provided by the Market Analyst suggests strong demand for affordable senior units in the area. Of the seven senior properties for which the Market Analyst reported 97%-100% occupancy, the vacancy reports submitted by the properties to the Department for April 2010 also indicate that each is at least 93%-96% occupied.

The Market Analyst also compared the unit mix between the subject and HomeTowne at Tomball. The subject has 62.5% one-bedroom units and 32.5% two-bedroom units, whereas Tomball has 40% one-bedroom units and 60% two-bedroom units; and the subject has 5% of its units restricted at 30% of AMI, 45% restricted at 50% of AMI, and only 50% of the units are restricted at 60% of AMI, whereas Tomball has 98% of its units restricted at 60% of AMI. "In conclusion, we believe the comparison of populations shows that there is a high likelihood that Magnolia Trails would be able to lease its 80 units. Additionally, the incomes served by the project, as well as the overall distribution of one and two bedroom units, will appeal to a greater pool of potential renters. By comparison, HomeTowne at Tomball is heavily weighted to 60% two-bedroom units."

Comments:

The Market Analyst has provided sufficient information on which to base a funding recommendation.

## OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: One Date of Last Applicant Revision: 5/1/2010

The Applicant's projected rents collected per unit for the 30% and 50% units were calculated by subtracting tenant-paid utility allowances as of June 1, 2009, maintained by the Montgomery County Housing Authority from the 2009 HUD rent limits which apply to HTC applications. The Applicant's rent projections for the 60% units were lower than the maximum rents allowed under HTC guideline because, according to the Applicant, market conditions require the lower rents to be competitive in the market place. The Underwriter's projected rents for all units were calculated by subtracting tenant-paid utility allowances as of June 1, 2009, maintained by the Montgomery County Housing Authority from the 2009 HUD rent limits which apply to HTC applications. Tenants will be required to pay all eclectic utility costs.

The Applicant's estimate of secondary income and vacancy and collection loss are within the Department's guidelines. Overall the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at $3,906 per unit is not within 5% of the Underwriter's estimate of $4,226 per unit, as derived from TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviated significantly when compared to the database averages, specifically: general & administrative (23% lower), payroll (14% lower), repairs and maintenance (20% lower), and water, sewer, trash (31% lower). The Applicant explains that the G&A expense is reasonable after consulting with FDI Property Management Services, Inc. which verified their expense was very much in line with a comparable property under FDI's management. Regarding payroll & payroll tax, FDI Property Management Services, Inc. states that payroll budgets range from $54,828 to $58,240 for comparable properties and the Applicant believes that they can provide qualified personnel for their proposed salaries.

Regarding repairs and maintenance and water, sewer, trash, FDI Property Management Services, Inc. also has stated the expenses are very much in line with existing comparable properties. FDI Property Management Services, Inc. provided expense figures from a comparable property by the named of Pecan Village with exactly the same number of units as the subject in Wharton, TX a rural area to substantiate their estimated expenses for the subject property. It is reasonable to assume that the database figures for repairs and maintenance in region 6 may be overstated, particularly for an elderly development. In addition, because the Applicant's total utilities, inclusive of water, sewer, and trash are within 15% of the Applicant's, they are generally considered to be reasonable.

Conclusion:

The Applicant's estimate of total expenses is not within 5% of the Underwriter's estimate; therefore, the Underwriter's year one pro forma is used to determine the development's debt capacity and debt coverage ratio (DCR). Based on the proposed permanent financing structure the calculated DCR of 1.21 falls within the Department's guidelines.

Feasibility:

The underwriting 30-year proforma utilizes a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with current TDHCA guidelines. The Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible.

## ACQUISITION INFORMATION

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| Land Only: 17.53 acres | $280,480 | Tax Year: | 2009 |
| Prorated 1 acre: | $16,000 | Valuation by: | Montgomery CAD |
| Prorated 9.89: | $158,240 | Tax Rate: | 2.6358 |

### EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property — Acreage: 9.896

Contract Expiration: 10/31/2010 — Valid Through Board Date? ☑ Yes ☐ No

Acquisition Cost: $549,302 — Other:

Seller: The Power Partnership — Related to Development Team? ☐ Yes ☑ No

Comments:

The seller will provide financing in the amount of $180,000 for one year at an interest rate equal to Wall Street Journal prime.

## CONSTRUCTION COST ESTIMATE EVALUATION

*COST SCHEDULE* Number of Revisions: None — Date of Last Applicant Revision: N/A

Acquisition Value:

The acquisition cost of $557,459 is considered acceptable as this is an arm's length transaction. The sales price is for $547,459 plus $10,000 in closing costs and acquisition legal fees.

It should be noted that based on the information provided in the application, it appears that the Applicant will acquire a total of 9.89 acres but will develop only a portion of this site with the proposed development. The site plans submitted in the application reflects a portion of the site to the west of the proposed development not being developed. The Underwriter has confirmed with the Applicant that the entire 9.89 acres will be restricted in the HTC LURA. However, any funding recommendation will be conditioned upon receipt, review and acceptance, by Cost Certification, of an executed Land Use Restriction Agreement (LURA) with the Department restricting all 9.89 acres of the subject site.

Sitework Cost:

The Applicant's estimate of $9,000 per unit for sitework costs is within the Department's guidelines and therefore is acceptable.

Direct Construction Cost:

The Applicant’s direct construction cost estimate is $141K or 4% higher than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $20,150 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's contractor's are all within the maximums allowed by TDHCA guidelines, but the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $2,347 and therefore the eligible portion of the Applicant's eligible fees in this area has been reduced by the same amount with the overage effectively moved to ineligible costs.

30% Increase to Eligible Basis

The development qualifies for a 30% increase in eligible basis because it is located in a rural area.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the need for permanent funds and to calculate the eligible basis. An eligible basis of $7,745,954 supports annual tax credits of $906,277. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

## FINANCING STRUCTURE

*SOURCES & USES* Number of Revisions: None Date of Last Applicant Revision: N/A

Source: PNC Real Estate Type: **Interim Financing**

Principal: $3,455,360 Interest Rate: 7.0% ☐ Fixed Term: 24 months

Comments:

The construction loan will float over the term of the loan based on PNC Prime rate plus 100bps. The total loan amount includes a bridge loan in the amount of $1,298,332 and a construction loan in the amount of $2,157,028.

Source: Montgomery County Community Development Type: **Interim Financing**

Principal: $270,000 Interest Rate: 0.0% ☑ Fixed Term: 12 months

Comments:

The commitment provided did not list any terms; however, the Applicant has proposed an interest rate of 0% with a term equal to the later of one-year from closing or the placed in service date. This report is conditioned on receipt of a commitment with terms clearly stated, by commitment.

Source: The Power Partnership Type: **Interim Financing**

Principal: $180,000 Interest Rate: 3.25% ☐ Fixed Term: 12 months

Comments:

Interest is set by the prime rate published by the WSJ five business days before the closing date.

Source: PNC Real Estate Type: **Permanent Financing**

Principal: $2,157,028 Interest Rate: 8.50% ☐ Fixed Amort: 420 months

Comments:

The interest rate will be set by the 10 Year U.S. Treasury plus 500bps. The final permanent interest rate will be set at the time of rate lock, which will occur prior to the construction loan closing. The indicative rate as of the date of the proposal letter was 8.5%; this rate has been used in the analysis.

Source: PNC Real Estate Type: **Syndication**

Proceeds: $6,265,199 Syndication Rate: 69% Anticipated HTC: $ 908,909

Amount: $255,000 Type: **Deferred Developer Fees**

## CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $2,157,028 indicates the need for $6,520,198 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $945,902 annually would be required to fill this gap in financing. The three possible tax credit allocations are:

| | |
|---|---|
| **Allocation determined by eligible basis:** | **$906,277** |
| Allocation determined by gap in financing: | $945,902 |
| Allocation requested by the Applicant: | $908,909 |

The allocation amount confirmed by the eligible basis calculation of the Applicant's eligible development costs is recommended. A tax credit allocation of $906,277 per year for 10 years results in total equity proceeds of $6,247,054 at a syndication rate of $0.69 per tax credit dollar.

The Underwriter's recommended financing structure indicates the need for $273,144 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within fifteen years of stabilized operation.

| | | | |
|---|---|---|---|
| Underwriter: | *Carl Hoover* | Date: | July 14, 2010 |
| Manager of Real Estate Analysis: | *Audrey Martin* | Date: | July 14, 2010 |
| Director of Real Estate Analysis: | *Brent Stewart* | Date: | July 14, 2010 |

# UNIT MIX/RENT SCHEDULE

***Magnolia Trails, Magnolia, 9% HTC #10061***

| LOCATION DATA | |
|---|---|
| CITY: | Magnolia |
| COUNTY: | Montgomery |
| SUB-MARKET: | |
| PROGRAM REGION: | 6 |
| RURAL RENT USED: | No |
| IREM REGION: | |

| UNIT DISTRIBUTION | | |
|---|---|---|
| # Beds | # Units | % Total |
| Eff | | |
| 1 | 50 | 62.5% |
| 2 | 30 | 37.5% |
| 3 | | |
| 4 | | |
| TOTAL | 80 | 100.0% |

| Other Unit Desgination | | | | | | |
|---|---|---|---|---|---|---|
| PROGRAMS: | | | | | | |
| Rent Limit | Eff | 1 | 2 | 3 | 4 | Total Units |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| MISC | | | | | | |

| OTHER ASSUMPTIONS | |
|---|---|
| DEVELOPMENT ACTIVITY: | New |
| REVENUE GROWTH: | 2.00% |
| EXPENSE GROWTH: | 3.00% |
| HIGH COST ADJUSTMENT: | 130% |
| APPLICABLE FRACTION: | 100.00% |
| APP % - ACQUISITION: | |
| APP % - CONSTRUCTION: | 9.00% |

## UNIT MIX / MONTHLY RENT SCHEDULE

| UNIT DESCRIPTION | | | | | PROGRAM RENT LIMITS | | | APPLICANT RENTS | | | | TDHCA RENTS | | | | MARKET RENTS | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type | # Units | # Beds | # Baths | NRA | Gross Rent | Tenant Paid Utilities (Verified) | Max Net Program Rent | Delta to Max Program | Rent per NRA | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent per NRA | Delta to Max Program | Market Rent | TDHCA Savings to Market |
| TC 30% | 4 | 1 | 1 | 729 | $358 | $53 | $305 | $0 | $0.42 | $305 | **$1,220** | **$1,220** | $305 | $0.42 | $0 | $615 | $310 |
| TC 50% | 27 | 1 | 1 | 729 | $598 | $53 | $545 | $0 | $0.75 | $545 | **$14,715** | **$14,715** | $545 | $0.75 | $0 | $615 | $70 |
| TC 60% | 19 | 1 | 1 | 729 | $717 | $53 | $664 | ($110) | $0.76 | $554 | **$10,526** | **$11,685** | $615 | $0.84 | ($49) | $615 | $0 |
| TC 50% | 9 | 2 | 2 | 990 | $717 | $68 | $649 | $0 | $0.66 | $649 | **$5,841** | **$5,841** | $649 | $0.66 | $0 | $810 | $161 |
| TC 60% | 21 | 2 | 2 | 990 | $861 | $68 | $793 | ($64) | $0.74 | $729 | **$15,309** | **$16,653** | $793 | $0.80 | $0 | $810 | $17 |
| **TOTAL:** | **80** | | | **66,150** | | | | | | | **$47,611** | **$50,114** | | | | | |
| **AVG:** | | | | **827** | | | | **($43)** | **$0.72** | **$595** | | | **$626** | **$0.76** | **($12)** | **$688** | **($62)** |
| **ANNUAL:** | | | | | | | | | | | **$571,332** | **$601,368** | | | | | |

# PROFORMA ANALYSIS & DEVELOPMENT COSTS

***Magnolia Trails, Magnolia, 9% HTC #10061***

| INCOME | Total Net Rentable Sq Ft: | | | TDHCA | APPLICANT | | |
|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $601,368 | $571,332 | | |
| Secondary Income | Per Unit Per Month: | $18.00 | | 17,280 | 17,280 | $18.00 | Per Unit Per Month |
| Other Support Income: | | | | | | $0.00 | Per Unit Per Month |
| Other Support Income: | | | | | | $0.00 | Per Unit Per Month |
| POTENTIAL GROSS INCOME | | | | $618,648 | $588,612 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | | (46,399) | (44,148) | -7.50% | of Potential Gross Income |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | $572,249 | $544,464 | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.10% | $365 | 0.44 | $29,207 | $22,450 | $0.34 | $281 | 4.12% |
| Management | | 5.00% | $358 | 0.43 | 28,612 | 27,169 | 0.41 | 340 | 4.99% |
| Payroll & Payroll Tax | | 14.30% | $1,023 | 1.24 | 81,859 | 70,300 | 1.06 | 879 | 12.91% |
| Repairs & Maintenance | | 7.27% | $520 | 0.63 | 41,593 | 33,100 | 0.50 | 414 | 6.08% |
| Utilities | | 2.46% | $176 | 0.21 | 14,070 | 16,500 | 0.25 | 206 | 3.03% |
| Water, Sewer, & Trash | | 5.11% | $366 | 0.44 | 29,244 | 20,200 | 0.31 | 253 | 3.71% |
| Property Insurance | | 4.05% | $289 | 0.35 | 23,153 | 29,280 | 0.44 | 366 | 5.38% |
| Property Tax | 2.6358 | 10.69% | $764 | 0.92 | 61,151 | 64,373 | 0.97 | 805 | 11.82% |
| Reserve for Replacements | | 3.49% | $250 | 0.30 | 20,000 | 20,000 | 0.30 | 250 | 3.67% |
| TDHCA Compliance Fees | | 0.56% | $40 | 0.05 | 3,200 | 3,080 | 0.05 | 39 | 0.57% |
| Other: Supp. Serv. | | 1.05% | $75 | 0.09 | 6,000 | 6,000 | 0.09 | 75 | 1.10% |
| TOTAL EXPENSES | | 59.08% | $4,226 | $5.11 | $338,088 | $312,452 | $4.72 | $3,906 | 57.39% |
| NET OPERATING INC | | 40.92% | $2,927 | $3.54 | $234,162 | $232,012 | $3.51 | $2,900 | 42.61% |

| DEBT SERVICE | TDHCA | APPLICANT |
|---|---|---|
| PNC Real Estate | $193,320 | $193,320 |
| Second Lien | $0 | |
| Additional Financing | $0 | |
| Additional Financing | 0 | |
| Additional Financing | 0 | |
| TOTAL DEBT SERVICE | 193,320 | 193,320 |
| NET CASH FLOW | $40,842 | $38,692 |
| AGGREGATE DEBT COVERAGE RATIO | 1.21 | 1.20 |
| RECOMMENDED DEBT COVERAGE RATIO | 1.21 | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 6.58% | $6,968 | $8.43 | $557,459 | $557,459 | $8.43 | $6,968 | 6.42% |
| Off-Sites | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 8.49% | $9,000 | $10.88 | 720,000 | 720,000 | 10.88 | 9,000 | 8.30% |
| Direct Construction | | 46.70% | $49,488 | $59.85 | 3,959,011 | 4,100,000 | 61.98 | 51,250 | 47.25% |
| Contingency | 7.00% | 3.86% | $4,094 | $4.95 | 327,531 | 336,918 | 5.09 | 4,211 | 3.88% |
| Contractor's Fees | 14.00% | 7.73% | $8,188 | $9.90 | 655,062 | 673,354 | 10.18 | 8,417 | 7.76% |
| Indirect Construction | | 5.81% | $6,157 | $7.45 | 492,561 | 492,561 | 7.45 | 6,157 | 5.68% |
| Ineligible Costs | | 1.56% | $1,652 | $2.00 | 132,165 | 132,165 | 2.00 | 1,652 | 1.52% |
| Developer's Fees | 15.00% | 11.62% | $12,313 | $14.89 | 985,042 | 1,012,689 | 15.31 | 12,659 | 11.67% |
| Interim Financing | | 4.87% | $5,160 | $6.24 | 412,779 | 412,779 | 6.24 | 5,160 | 4.76% |
| Reserves | | 2.79% | $2,960 | $3.58 | 236,798 | 239,301 | 3.62 | 2,991 | 2.76% |
| TOTAL COST | | 100.00% | $105,980.08 | $128.17 | $8,478,407 | $8,677,226 | $131.17 | $108,465 | 100.00% |
| ***Construction Cost Recap*** | | *66.78%* | ***$70,770*** | ***$85.59*** | ***$5,661,603*** | ***$5,830,272*** | ***$88.14*** | ***$72,878*** | *67.19%* |

| SOURCES OF FUNDS | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| PNC Real Estate | 25.44% | $26,963 | $32.61 | $2,157,028 | $2,157,028 | $2,157,028 | Developer Fee Available |
| Second Lien | 0.00% | $0 | $0.00 | 0 | 0 | 0 | $1,010,342 |
| HTC Syndication Proceeds | 73.90% | $78,315 | $94.71 | 6,265,199 | 6,265,199 | 6,247,054 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 3.01% | $3,188 | $3.85 | 255,000 | 255,000 | 273,144 | 27% |
| Additional (Excess) Funds Req'd | -2.35% | ($2,485) | ($3.01) | (198,820) | (1) | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $8,478,407 | $8,677,226 | $8,677,226 | $745,635 |

**DIRECT CONSTRUCTION COST ESTIMATE**

*Marshall & Swift* Residential Cost Handbook
Average Quality Multiple Residence Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|---|---|---|---|---|
| Base Cost | | | $55.64 | $3,680,509 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.56% | | $0.31 | $20,611 |
| Elderly | 3.00% | | 1.67 | 110,415 |
| 9-Ft. Ceilings | 3.07% | | 1.71 | 112,992 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | 1.33 | 88,200 |
| Floor Cover | | | 2.41 | 159,422 |
| Breezeways | $23.05 | 14,387 | 5.01 | 331,572 |
| Balconies | $23.05 | 5,498 | 1.92 | 126,699 |
| Plumbing Fixtures | $845 | 140 | 1.79 | 118,300 |
| Rough-ins | $420 | 80 | 0.51 | 33,600 |
| Built-In Appliances | $1,850 | 80 | 2.24 | 148,000 |
| Exterior Stairs | $1,900 | 8 | 0.23 | 15,200 |
| Enclosed Corridors | $45.72 | 0 | 0.00 | 0 |
| Elevator | $59,900 | 1 | 0.91 | 59,900 |
| Carports | $9.70 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 1.85 | 122,378 |
| Garages | $30.00 | 0 | 0.00 | 0 |
| Comm &/or Aux Bldgs | $70.66 | 4,611 | 4.93 | 325,813 |
| Other: fire sprinkler | $2.25 | 66,150 | 2.25 | 148,838 |
| SUBTOTAL | | | 84.69 | 5,602,447 |
| Current Cost Multiplier | 0.99 | | (0.85) | (56,024) |
| Local Multiplier | 0.88 | | (10.16) | (672,294) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | $73.68 | $4,874,129 |
| Plans, specs, survy, bld prm | 3.90% | | ($2.87) | ($190,091) |
| Interim Construction Interes | 3.38% | | (2.49) | (164,502) |
| Contractor's OH & Profit | 11.50% | | (8.47) | (560,525) |
| NET DIRECT CONSTRUCTION COSTS | | | $59.85 | $3,959,011 |

**PROPOSED PAYMENT COMPUTATION**

| | | | |
|---|---|---|---|
| **PNC Real Estate** | $2,157,028 | Amort | 420 |
| Int Rate | 8.50% | DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Second Lien** | $0 | Amort | |
| Int Rate | | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | |
| Int Rate | | Aggregate DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | |
| Int Rate | | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | |
| Int Rate | | Aggregate DCR | 1.21 |

**RECOMMENDED FINANCING STRUCTURE:**

| | |
|---|---|
| PNC Real Estate | $193,320 |
| Second Lien | 0 |
| Additional Financing | 0 |
| Additional Financing | 0 |
| Additional Financing | 0 |
| TOTAL DEBT SERVICE | **$193,320** |

| | | | |
|---|---|---|---|
| **PNC Real Estate** | $2,157,028 | Amort | 420 |
| Int Rate | 8.50% | DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Second Lien** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.21 |

| | | | |
|---|---|---|---|
| **Additional Financing** | $0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.21 |

**OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE**

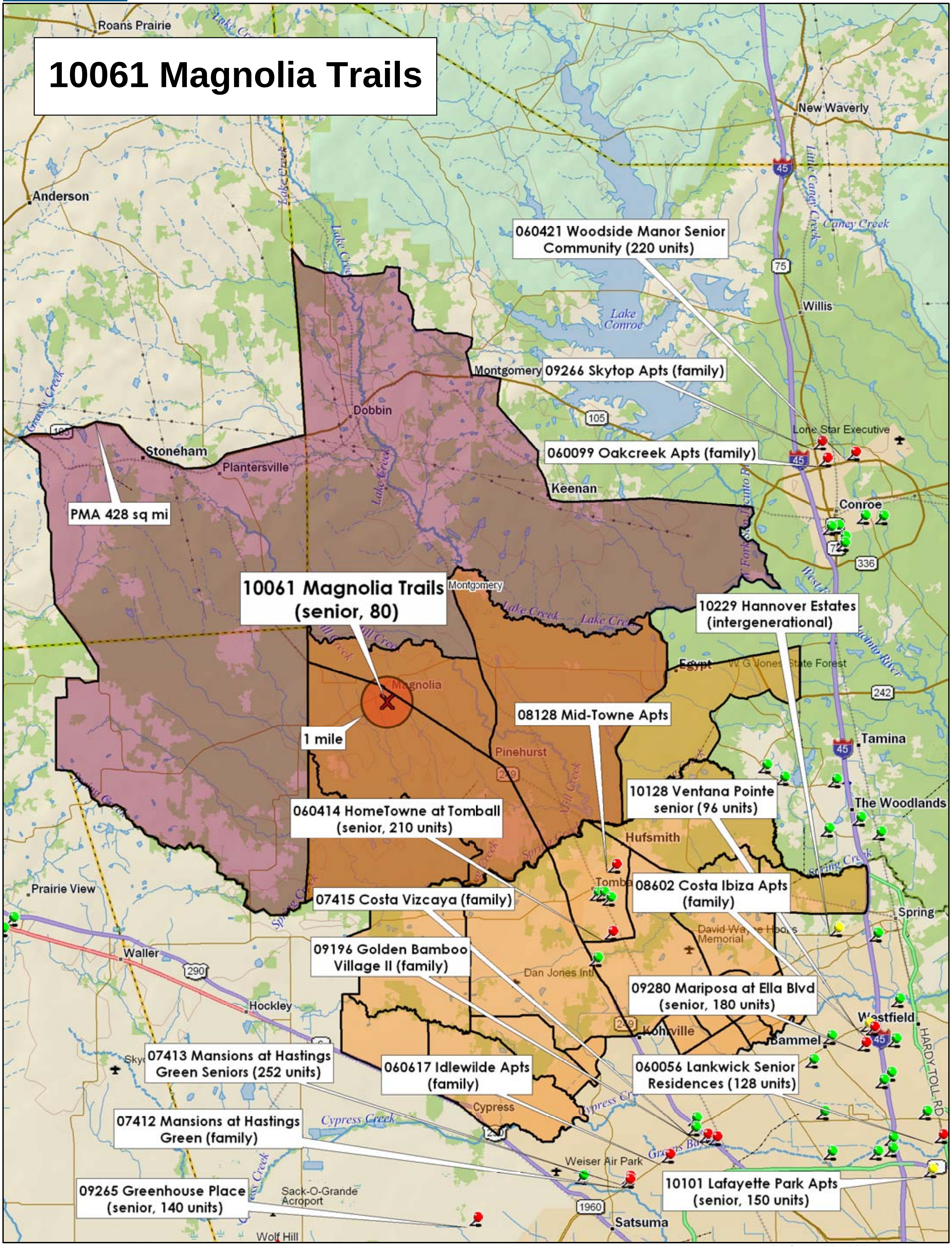
| INCOME at 2.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $601,368 | $613,395 | $625,663 | $638,177 | $650,940 | $718,690 | $793,492 | $876,080 | $1,067,936 |
| Secondary Income | 17,280 | 17,626 | 17,978 | 18,338 | 18,704 | 20,651 | 22,801 | 25,174 | 30,687 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 618,648 | 631,021 | 643,641 | 656,514 | 669,644 | 739,342 | 816,293 | 901,253 | 1,098,623 |
| Vacancy & Collection Loss | (46,399) | (47,327) | (48,273) | (49,239) | (50,223) | (55,451) | (61,222) | (67,594) | (82,397) |
| Employee or Other Non-Rental U | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $572,249 | $583,694 | $595,368 | $607,276 | $619,421 | $683,891 | $755,071 | $833,659 | $1,016,226 |
| EXPENSES at 3.00% | | | | | | | | | |
| General & Administrative | $29,207 | $30,084 | $30,986 | $31,916 | $32,873 | $38,109 | $44,179 | $51,216 | $68,829 |
| Management | 28,612 | 29,185 | 29,768 | 30,364 | 30,971 | 34,195 | 37,754 | 41,683 | 50,811 |
| Payroll & Payroll Tax | 81,859 | 84,314 | 86,844 | 89,449 | 92,133 | 106,807 | 123,818 | 143,539 | 192,905 |
| Repairs & Maintenance | 41,593 | 42,840 | 44,126 | 45,449 | 46,813 | 54,269 | 62,912 | 72,933 | 98,016 |
| Utilities | 14,070 | 14,492 | 14,927 | 15,375 | 15,836 | 18,358 | 21,282 | 24,672 | 33,157 |
| Water, Sewer & Trash | 29,244 | 30,121 | 31,025 | 31,955 | 32,914 | 38,156 | 44,234 | 51,279 | 68,915 |
| Insurance | 23,153 | 23,847 | 24,562 | 25,299 | 26,058 | 30,209 | 35,020 | 40,598 | 54,560 |
| Property Tax | 61,151 | 62,985 | 64,875 | 66,821 | 68,825 | 79,788 | 92,496 | 107,228 | 144,105 |
| Reserve for Replacements | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 | 26,095 | 30,252 | 35,070 | 47,131 |
| TDHCA Compliance Fee | 3,200 | 3,296 | 3,395 | 3,497 | 3,602 | 4,175 | 4,840 | 5,611 | 7,541 |
| Other | 6,000 | 6,180 | 6,365 | 6,556 | 6,753 | 7,829 | 9,076 | 10,521 | 14,139 |
| TOTAL EXPENSES | $338,088 | $347,944 | $358,091 | $368,536 | $379,288 | $437,990 | $505,863 | $584,350 | $780,110 |
| NET OPERATING INCOME | $234,162 | $235,750 | $237,277 | $238,740 | $240,133 | $245,901 | $249,208 | $249,309 | $236,116 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $193,320 | $193,320 | $193,320 | $193,320 | $193,320 | $193,320 | $193,320 | $193,320 | $193,320 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $40,842 | $42,430 | $43,957 | $45,420 | $46,813 | $52,581 | $55,888 | $55,989 | $42,796 |
| DEBT COVERAGE RATIO | 1.21 | 1.22 | 1.23 | 1.23 | 1.24 | 1.27 | 1.29 | 1.29 | 1.22 |

## HTC ALLOCATION ANALYSIS -Magnolia Trails, Magnolia, 9% HTC #10061

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|---|---|---|---|---|
| **Acquisition Cost** | | | | |
| Purchase of land | $557,459 | $557,459 | | |
| Purchase of buildings | | | | |
| **Off-Site Improvements** | | | | |
| **Sitework** | $720,000 | $720,000 | $720,000 | $720,000 |
| **Construction Hard Costs** | $4,100,000 | $3,959,011 | $4,100,000 | $3,959,011 |
| **Contractor Fees** | $673,354 | $655,062 | $673,354 | $655,062 |
| **Contingencies** | $336,918 | $327,531 | $336,918 | $327,531 |
| **Eligible Indirect Fees** | $492,561 | $492,561 | $492,561 | $492,561 |
| **Eligible Financing Fees** | $412,779 | $412,779 | $412,779 | $412,779 |
| **All Ineligible Costs** | $132,165 | $132,165 | | |
| **Developer Fees** | | | $1,010,342 | |
| Developer Fees | $1,012,689 | $985,042 | | $985,042 |
| **Development Reserves** | $239,301 | $236,798 | | |
| **TOTAL DEVELOPMENT COSTS** | $8,677,226 | $8,478,407 | $7,745,954 | $7,551,985 |

| **Deduct from Basis:** | | | |
|---|---|---|---|
| All grant proceeds used to finance costs in eligible basis | | | |
| B.M.R. loans used to finance cost in eligible basis | | | |
| Non-qualified non-recourse financing | | | |
| Non-qualified portion of higher quality units [42(d)(3)] | | | |
| Historic Credits (on residential portion only) | | | |
| **TOTAL ELIGIBLE BASIS** | | $7,745,954 | $7,551,985 |
| High Cost Area Adjustment | | 130% | 130% |
| **TOTAL ADJUSTED BASIS** | | $10,069,740 | $9,817,581 |
| Applicable Fraction | | 100% | 100% |
| **TOTAL QUALIFIED BASIS** | | $10,069,740 | $9,817,581 |
| Applicable Percentage | | 9.00% | 9.00% |
| **TOTAL AMOUNT OF TAX CREDITS** | | $906,277 | $883,582 |
| **Syndication Proceeds** | **0.6893** | **$6,247,054** | **$6,090,619** |

| | | |
|---|---|---|
| **Total Tax Credits (Eligible Basis Method)** | **$906,277** | **$883,582** |
| **Syndication Proceeds** | **$6,247,054** | **$6,090,619** |
| **Requested Tax Credits** | **$908,909** | |
| **Syndication Proceeds** | **$6,265,199** | |
| **Gap of Syndication Proceeds Needed** | **$6,520,198** | |
| **Total Tax Credits (Gap Method)** | **$945,902** | |
| **Recommended Tax Credits** | **906,277** | |
| **Syndication Proceeds** | **$6,247,054** | |



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Scale 1 : 325,000
1" = 5.13 mi
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# MULTIFAMILY FINANCE DIVISION
## BOARD ACTION REQUEST
## NOVEMBER 10, 2010

Approve the Memorandum of Understanding (MOU) between the Texas Bond Review Board and the Texas Department of Housing and Community Affairs ("the Department") for the Issuance of 501(c)(3) bonds.

## RECOMMENDED ACTION

RESOLVED, that the Memorandum of Understanding Between the Texas Bond Review Board and the Department which pertains to the Department's 501(c)(3) Multifamily Mortgage Revenue Bond Program is hereby approved.

## <u>Background</u>

Section 2306.358 of the Texas Government Code, which defines the parameters of the Department's 501(c)(3) Multifamily Mortgage Revenue Bond program, requires the Department and the Texas Bond Review Board to maintain a Memorandum of Understanding which specifies the maximum amount of 501(c)(3) bonds the Department may issue each year.

This MOU reflects minor changes to Section IV that would require the MOU only be updated to the extent legislation changes the amount in 501(c)(3) bonds the Department may issue.  The MOU shall remain in effect until otherwise terminated by either party in writing.

# MEMORANDUM OF UNDERSTANDING
# BETWEEN
# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
# AND
# TEXAS BOND REVIEW BOARD

This Memorandum of Understanding, ("Memorandum,") is made and entered into between the Texas Department of Housing and Community Affairs ("TDHCA"), an agency of the State of Texas, and the Texas Bond Review Board ("TBRB"), an agency of the State of Texas, to be effective August 1, 2009.

## SECTION I.
## Purpose

The purpose of this Memorandum is to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year, to define the terms "rural area" and "metropolitan area," and to otherwise comply in all respects with the requirements of the Texas Government Code, Chapter 2306.358 (the "Code").

This Memorandum does not constitute a commitment by the TBRB to approve qualified 501(c)(3) bond applications that are submitted by TDHCA to the TBRB and only serves to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year and to define the terms "rural area" and "metropolitan area".

## SECTION II.
## Period of Performance, Termination, and Amendments

The provisions of this Memorandum became effective as of August 1, 2009 and shall remain in effect until otherwise terminated by either party in writing with a 30-day written notice of such termination**.** The terms of this Memorandum shall continue in effect, regardless of the termination of this memorandum by either party, for any bond issue that received a formal inducement by TDHCA Board (the "Inducement Resolution") prior to the termination date of this memorandum.

The provisions of this Memorandum may be amended only by written agreement of both parties. In the event it is determined by the parties that this Memorandum is no longer necessary to fulfill the above purposes, the parties shall execute a written termination of this Memorandum in its entirety.

## SECTION III.
## Definitions

For the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program, a project is considered to be located in a rural area (§2306.004):

A) if the area on which the project is or is to be constructed is situated outside the boundaries of a Primary Metropolitan Statistical Area ("PMSA") or a Metropolitan Statistical Area ("MSA") described as such on the attached Exhibit A;

B) if the area on which the project is or is to be constructed is situated within the boundaries of a PMSA or MSA, but has a population of not more than 25,000 and does not share boundaries with an urbanized area; or

C) In an Area that is eligible for funding by Texas Rural Development Office or the United States Department of Agriculture (TRDO-USDA), other than an Area that is located in a municipality with a population of more than 50,000.

If a project is not considered to be located in a rural area as outlined above, then the project will be considered to be located in the applicable metropolitan area for the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program.

**SECTION IV.**
**Maximum Issuance Authority**

~~During fiscal year 2010, t~~The maximum aggregate amount of qualified 501(c)(3) bonds to be issued by TDHCA is two hundred and fifty million dollars ($250,000,000). Based on the allocations outlined in the Act, a minimum of fifteen percent (15%) or $37,500,000 is reserved for projects in rural areas, as defined in Section III. Additionally, no more than twenty five percent (25%) or $62,500,000 may be issued in any one metropolitan area as described on Exhibit A. These figures shall be reviewed annually by both parties in accordance with Texas Government Code §2306.358(b) to determine the maximum amount of bonds to be issued in the upcoming fiscal year. To the extent this figure differs from what is stated herein then ~~S~~such determination shall be evidenced by an amendment to this agreement executed by both parties.

For the purposes of allocating a bond issue to a fiscal year for determining limitations and satisfying specific reservations, the date of the formal inducement for each bond issue by TDHCA's Board (the "Inducement Resolution") shall determine the fiscal year that the bond issue will be allocated.

**SECTION V.**
**Reporting Requirements**

TDHCA shall submit to the TBRB, on or before the fifteenth day of the month following the end of each calendar quarter, a report of application and issuance activities during the previous calendar quarter.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

______________________________
Michael G. Gerber, Executive Director
Date: __________________________

**TEXAS BOND REVIEW BOARD**

______________________________
Robert C. Kline, Executive Director
Date: __________________________

**HOME PROGRAM DIVISON**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation and Discussion of current HOME Program Fund Balance Report and Possible Action for the Programming of Available Funds for Pilot Programs for Direct Administration.

> **WHEREAS**, a balance of funds of $4,130,947.19 is currently available for programming to an activity; and
>
> **WHEREAS**, the Department established a demonstration program to directly administer funds to households in need, be it hereby:
>
> **RESOLVED**, that the programming of HOME funds in the amount of $3,000,000 for direct administration is approved as presented to this meeting.

## Background

On September 9, 2010, the Board approved the 2010 HOME Program Rule. The new rules included changes designed to more effectively utilize HOME funds for activities in high demand, increase the rate of commitments and expenditures and reach areas of the state that have not historically been served. Among these changes are provisions to allow the Department to directly administer HOME funds to households in need. Historically, the Department has administered the majority of HOME funds for single family activities by subgranting funds to Contract Administrators that then administer funds to serve qualified households.

Since funds are available in every type of HOME Program Activity and staff continues to receive requests for assistance from non-Participating Jurisdication areas of the State, for which no interested Contract Administrator or Reservation System Participant Applicants have been identified, staff recommends the programming of $3,000,000 in available HOME funds to facilitate a pilot program for the direct administration of funds to households by Department staff. Pilot program features include:

- Staff will perform or procure contractors for activities that are typically performed by Contract Administrators such as marketing, application intake, environmental review and clearance, inspections, work write-ups and cost estimating, construction management and oversight, collecting and processing required documentation, verifying information, and data reporting, etc.
- Funds be made available for non-development single family program activities, initially Homebuyer Assistance with potential expansion to contract for deed conversions and Homeowner Rehabilitation for Disaster Relief.

- Initially funds will be made available in non-PJ areas in close proximity to Department headquarters or field staff in order to facilitate administrative and technical tasks that require travel to the household's location. The $3,000,000 includes slightly more than $300,000 in deobligated PJ funds which are available to only assist persons with disabilities.
- Marketing and outreach will be conducted by staff through existing partnerships, various media channels such as listserv announcements, Department website postings, brochures, flyers, and public presentations, coordination with Texas Homeownership participating lenders, and relationship building with private lenders, realtors, and other state agencies and programs.
- All HOME funds will be administered in accordance with the federal regulations at 24 CFR 92 (HOME Final Rule) and 10 TAC Chapter 53.

Staff recommends the programming of HOME funds in the amount of $3,000,000 for direct administration. If approved, a balance of slightly over $1,000,000 in HOME funds will remain available should a natural disaster necessitate use of additional funds for disaster relief. Below is a explanation of the attached Fund Balance Report and current programming of the Department's HOME funds.

The HOME Fund Balance Report is prepared monthly and is the Department's internal tracking of available balances of HOME funds that are not yet committed in HUD's accounting system of record. As required in the Department's rule regarding deobligated funds (10 TAC §1.19), the Department must not retain a balance of deobligated funds that exceeds 15% of the most current annual allocation of HOME funds. This means that when the Fund Balance Report bottom line exceeds roughly $6 million, the Department, by rule, must update the funding plan to re-program excess funds. Deobligations and expired Notices of Funding Availability (NOFAs) that are undersubscribed are the biggest reason for reprogramming funds.

The beginning balance of this report is the previous month's total HOME funds that are available to commit in HUD's accounting system known as Integrated Disbursement Information System (IDIS). This total includes funds that have not been committed to a Contract Administrator, which includes funds that are still available in active NOFAs, deobligated funds, and program income received. The top section of the report provides a monthly reconciliation of activities that affect the Department's balance with HUD and ends with the balance of the current month's total HOME funds available in IDIS.

The report then further separates this available IDIS balance into two categories of funds – Community Housing Development Organization (CHDO) funds and non-CHDO funds. As you will note, CHDO funds are presented first since this set-aside is a federal mandate which requires that the Department spend a minimum of 15% of its funds with CHDOs. The use of non-CHDO funds would be curtailed if this 15% minimum is not met, therefore staff must ensure an over-commitment of CHDO funds and a pipeline of committed CHDO awards.

The CHDO and non-CHDO categories are further segmented into federal and programmatic set-asides and active NOFAs reflecting how funds are currently programmed. Some deobligated funds are reserved to be reprogrammed for specific set-asides, namely CHDO and Persons with Disabilities and these are reflected in a separate column.

Finally, the Fund Balance Report provides a grand total of HOME funds available for programming after the mandated set-asides, Board-approved but not yet committed awards and amendments (awards and amendments that do not have executed contracts or commitments in IDIS), and funds set aside in active NOFA's have been considered. The current report reflects $4,130,947 available for programming at this time. At the September Board meeting, the Department's 2010 allocation of $43,593,825, available deobligated funds, and program income were made available in various NOFAs, which are reflected on the attached Fund Balance Report.

To actively manage the Department's funds and to ensure that HUD funding levels and deadlines are met, staff has made HOME funds available in every type of Program Activity and is making recommendations for the programming of a portion of the remaining balance of available funds for the direct administration of HOME funds. Below is a brief status of the NOFAs on the Fund Balance Report for which HOME funds have been programmed or reserved:

- **2010 Open Cycle Single Family Development NOFA:**
  The NOFA expires December 3, 2010 and makes available $3,024,189 CHDOs applying for single family development financing.

- **2010 Multifamily Development Program (CHDO Set-Aside):**
  This Set-Aside is currently oversubscribed by over $1.7 million in pending applications One of these applications received a forward commitment of housing tax credits and may be eligible to be recommended for an award of HOME funds in December after the Regional Allocation Formula (RAF) collapse. The remaining applications are on the waiting list for housing tax credits should tax credits become available.

- **2010 Single Family Programs NOFA:**
  As approved in September, this NOFA makes funds available for all HOME non-development single family program activities and includes set-asides for Persons with Disabilities, Disaster Relief, and Contract for Deed Conversions as well as the availability of funds through various reservation system set-asides. The NOFA will expire on April 29, 2011.

- **2010 Multifamily Development Program NOFA (General & PWD Set-Asides):**
  The General Set-Aside under this NOFA is currently oversubscribed by $4.9 million in pending applications that are layered with pending housing tax credit applications. Two of these applications received a forward commitment of housing tax credits at the September Board meeting and are being recommended for an award of HOME funds under a separate agenda item today. The remaining applications are on the housing tax credit waiting list. The PWD Set-Aside has $179,691 in remaining funds available and currently has one pending application for $500,000 that is also on the housing tax credit waiting list.

# HOME FUND BALANCE REPORT

As of October 15, 2010

| | Total |
|---|---|
| **Total Available Balance in IDIS on September 15, 2010 [1]** | **$72,105,133.64** |
| Committed since last report | ($6,247,442.00) |
| Program Income received since last report | $310,162.32 |
| Deobligated since last report | $1,917,739.65 |
| **Total Available Balance in IDIS on October 15, 2010 [1]** | **$68,085,593.61** |

## CHDO (Community Housing Development Organization) Funds

| | Uncommitted | Reserved Deobligated | Total |
|---|---|---|---|
| **Available Balance in IDIS** | $4,063,537.04 | | $4,063,537.04 |
| **Programmatic Set-Asides:** | | | |
| All funds are currently available in open NOFA's | | | |
| **Open Notices of Funding Availability (NOFA's):** | | | |
| Awards approved by the Board but not Committed in IDIS | $ (2,000,000.00) | | ($2,000,000.00) |
| 2010 Single Family Development NOFA | ($3,024,189.00) | | ($3,024,189.00) |
| (approved by the board May 12, 2010 and expires December 3, 2010) | | | |
| 2010 RHD NOFA $6.5 Million CHDO Set-Aside | ($6,539,074.00) | | ($6,539,074.00) |
| (approved by the board September 9, 2010 and expires April 29, 2011) | | | |
| **Total CHDO Funds Available for Programming:** | **($7,499,725.96)** | | **($7,499,725.96)** |

## Non-CHDO (Community Housing Development Organization) Funds

| | Uncommitted | Reserved Deobligated | Total |
|---|---|---|---|
| **Available Balance in IDIS** | $63,656,297.57 | $ 365,759.00 | $64,022,056.57 |
| **Programmatic Set-Asides:** | | | |
| 2010 CHDO Operating Funds[2] | ($176,954.00) | | ($176,954.00) |
| Persons with Disabilities Set-Aside | $0.00 | $ (365,759.00) | ($365,759.00) |
| **Open Notices of Funding Availability (NOFA's)/Reservations & Approved Awards:** | | | |
| Reserved or Approved but not Committed in IDIS | $ (10,675,994.00) | | ($10,675,994.00) |
| Amendment Approved but not Committed in IDIS | $0.00 | | $0.00 |
| 2010 Single Family NOFA $31.2 million | | | |
| (approved by board September 9, 2010 and expires April 29, 2011) | | | |
| *Special Set-Asides* | | | |
| Contract for Deed Conversion Set-Aside Funds | ($2,000,000.00) | | ($2,000,000.00) |
| Single Family PWD Set-Aside Funds | ($2,844,136.49) | | ($2,844,136.49) |
| Contract Award: PJ balance is $623,821.71. | | | |
| Reservation: PJ balance is $623,820.00. | | | |
| Reservation: NON-PJ balance is $1,596,494.78. | | | |
| *General Single Family Activity Set-Asides* | ($25,828,559.65) | | ($25,828,559.65) |
| Contract Award: Total balance for HRA, HBA, & TBRA is $20,188,723.75. | | | |
| Reservation: HRA balance is $1,000,000.00. | | | |
| Reservation: HBA balance is $1,000,000.00. | | | |
| Reservation: TBRA balance is $1,000,000.00. | | | |
| Reservation: HRA w/Refinance balance is $460,144.65. | | | |
| Reservation: Disaster balance is $2,179,691.25. | | | |
| 2010 RHD NOFA | | | |
| (approved by board January 20, 2010 and expires December 31, 2010) | | | |
| General Set-Aside | ($9,320,289.28) | | ($9,320,289.28) |
| PWD Set-Aside | ($1,179,691.00) | | ($1,179,691.00) |
| *(For CHDO Set-Aside see above)* | | | |
| **Total Non-CHDO Funds Available for Programming:** | **$11,630,673.15** | | **$11,630,673.15** |
| **Grand Total of HOME Funds Available for Programming:** | **$4,130,947.19** | | **$4,130,947.19** |

1 Of the available balance, the cumulative program income to-date is $31,291,881.00.

2 CHDO Operating funds are non-CHDO funds used for CHDO projects.

**HOME PROGRAM DIVISON**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation, Discussion, and Possible Action to Ratify HOME Program Reservation System Participants approved by the Executive Director.

> **RESOLVED**, that the ratification of twenty one HOME Program Reservation System Participants, El Paso Collaborative for Community and Economic Development, Ellis Community Resource, Inc., New Braunfels Housing Authority, City of Annona, City of Commerce, City of Cooper, County of Lamar, City of Sulphur Springs, City of Center, City of Carthage, City of Trinidad, City of Bonham, City of Roxton, County of Delta, City of Paris, City of Detroit, City of Crocket, City of Edgewood, City of Palestine, Adults Youth United Development Association, Inc and Community Development Corporation of Brownsville are hereby approved in the form presented to this meeting.

## Background

On September 9, 2010 the Board approved the HOME Program Rule at 10 TAC Chapter 53 and it was published in the Texas Register on September 24, 2010. The adopted rule includes a provision for a new allocation method for eligible Applicants to access HOME funds through a Reservation System.

In accordance with the applicable provisions, twenty nine Contract Administrators that currently have an active HOME contract submitted requests to become Reservation System Participants (RSPs). As listed in the chart below, twenty one of the requests have completed the review process and Reservation System Participant Agreements have been approved by the Department's Executive Director.

| RSP Agreement Number | Contract Administrator Name | HOME Program Activity |
|---|---|---|
| 2010-0001 | El Paso Collaborative for Community and Economic Development | Homeowner Rehabilitation Assistance<br>Contract for Deed Conversion |
| 2010-0002 | Ellis Community Resource Inc. | Tenant Based Rental Assistance |
| 2010-0003 | Housing Authority of the City of New Braunfels | Tenant Based Rental Assistance<br>Tenant Based Rental Assistance for Persons with Disabilities |
| 2010-0004 | City of Annona | Homeowner Rehabilitation Assistance |

| | | |
|---|---|---|
| 2010-0005 | City of Commerce | Homeowner Rehabilitation Assistance |
| 2010-0006 | City of Cooper | Homeowner Rehabilitation Assistance |
| 2010-0007 | County of Lamar | Homeowner Rehabilitation Assistance |
| 2010-0008 | City of Sulphur Springs | Homeowner Rehabilitation Assistance |
| 2010-0009 | City of Center | Homeowner Rehabilitation Assistance |
| 2010-0010 | City of Carthage | Homeowner Rehabilitation Assistance |
| 2010-0011 | City of Trinidad | Homeowner Rehabilitation Assistance |
| 2010-0012 | City of Bonham | Homeowner Rehabilitation Assistance |
| 2010-0013 | City of Roxton | Homeowner Rehabilitation Assistance |
| 2010-0014 | County of Delta | Homeowner Rehabilitation Assistance |
| 2010-0015 | City of Paris | Homebuyer Assistance<br>Homeowner Rehabilitation Assistance |
| 2010-0016 | City of Detroit | Homeowner Rehabilitation Assistance |
| 2010-0017 | City of Crocket | Homeowner Rehabilitation Assistance |
| 2010-0018 | City of Edgewood | Homeowner Rehabilitation Assistance |
| 2010-0019 | City of  Palestine | Homeowner Rehabilitation Assistance |
| 2010-0020 | Adults Youth United Development Association, Inc | Contract for Deed Conversion |
| 2010-0021 | Community Development Corporation of Brownsville | Homebuyer Assistance<br>Homebuyer Assistance for Person with Disabilities<br>Homebuyer Assistance for Disaster Relief<br>Contract for Deed Conversion<br>Homeowner Rehabilitation Assistance<br>Homeowner Rehabilitation Assistance for Disaster Relief<br>Homeowner Rehabilitation Assistance with Refinance |

The RSP approvals being presented for ratification are currently being reviewed by the Compliance and Asset Oversight Division for issues of material non-compliance, unresolved audit findings, or questioned or disallowed costs.  After clearance is received, the RSP Agreements will be sent to the RSP for execution.

Staff recommends the ratification of the above referenced HOME Program Reservation System Participants and as approved by the Executive Director.

**HOME PROGRAM DIVISON**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation, Discussion, and Possible Action on HOME Program Multifamily Development Award Recommendations.

> **WHEREAS**, the Board approved forward commitments of tax credits to transactions also requesting HOME funds which are now eligible for such HOME funds, be it hereby:
>
> **RESOLVED**, that the award of contracts for development of Sulphur Springs Pioneer Crossing for Seniors and Sunflower Estates, totaling $2,792,008 in project funds, subject to the conditions of the underwriting reports, is hereby approved in the form presented to this meeting.

## Background

On September 9, 2010, the Board approved a revised HOME MFD NOFA, making $18,218,765 available for the development of affordable multifamily rental housing. The Board concurrently awarded $1,000,000 from this NOFA to two applications under the Persons with Disabilities Set-Aside which had previously received 9% tax credit allocations.

The two applications recommended for award today were transferred from the previous RHD NOFA and are requesting funding under the General Set-Aside. Both applications received forward commitments for 9% tax credit allocations at the September Board meeting. HOME funds are being requested to fill gaps in financing.

While 2010 funding made available under the General and CHDO Set-Asides in this NOFA is subject to the Regional Allocation Formula (RAF) until November 30, 2010, the General Set-Aside includes $3,500,000 from the Department's balance of funds available for programming. These funds are not subject to the RAF.

Staff recommends these applications be awarded using the aforementioned $3,500,000 under General Set-Aside.The award recommendations have been reviewed by the Compliance and Asset Oversight Division, and no issues of material non-compliance, unresolved audit findings or questioned or disallowed costs have been identified. As of October 21, 2010, the Real Estate Analysis (REA) Division has not completed their evaluation of these applications and the final loan amount, terms, and conditions are subject to the recommendations in the final underwriting reports. Staff requests the ability to make adjustments to the amount of funding from the Department's balance of funds available for programming used to account for variance in the final underwriting recommendations.

If the recommended applications are awarded, pending completion of underwriting, $7,707,992 will remain available under the General Set-Aside, with $6,539,074 available under the CHDO Set-Aside and $179,691 available under PWD Set-Aside. The application acceptance period ends on April 29, 2011.

Attached are the Application and Award Recommendations Logs.

# 2010 HOME Multifamily Development Program - Application Log



**Application Acceptance Period: 9/10/2010 to 4/29/2011**

**Total Funding Amount: $18,218,765**

**Total Set-Aside Funding Level: $10,500,000**
**Available Balance: $10,500,000**

## General Set-Aside

| File # | Reg. | Received By Date | Development Name | City | Housing Actvty(1) | Reqstd HOME Units | Total Units | Target(2) Population | Layering (3) 9% | 4% | HTF | Requested Project Funds | Awarded / Recommended Project Funds | CHDO | Requested CHDO Funds | Awarded / Recommended CHDO Funds | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10039 | 4 | 2/23/2010 | Paris Retirement Village II | Paris | NC | 19 | 80 | Elderly | Yes | No | No | $1,850,000 | | N | $0 | | Under Review |
| 10223 | 11 | 2/25/2010 | Sunset Terrace Senior Village | Pharr | NC | 22 | 80 | Elderly | Yes | No | No | $2,000,000 | | N | $0 | | Under Review |
| 10033 | 4 | 2/26/2010 | Sulphur Springs Pioneer Crossing for Seniors | Sulphur Springs | NC | 20 | 80 | Elderly | Yes | No | No | $2,000,000 | $2,000,000 | N | $0 | $0 | Pending Award 11/10/2010 |
| 10262 | 11 | 3/1/2010 | Las Brisas Manor | Del Rio | NC | 15 | 48 | Elderly | Yes | No | No | $1,907,548 | | N | $0 | | Under Review |
| 10257 | 3 | 3/1/2010 | The Colony at Lake Granbury | Granbury | NC | 16 | 80 | Elderly | Yes | No | No | $990,000 | | N | $0 | | Under Review |
| 10151 | 11 | 3/2/2010 | Sunflower Estates | La Feria | NC | 16 | 80 | General | Yes | No | No | $792,008 | $792,008 | N | $0 | $0 | Pending Award 11/10/2010 |
| 10121 | 9 | 3/16/2010 | Mesquite Place | Pearsall | NC | 16 | 80 | General | Yes | No | No | $1,300,000 | | N | $0 | | Under Review |
| 10132 | 10 | 3/22/2010 | Seaside Manor | Ingleside | NC | 20 | 100 | Elderly | Yes | No | No | $550,000 | | N | $0 | | Under Review |
| 10023 | 2 | 3/26/2010 | Burkburnett Pioneer Crossing for Seniors | Burkburnett | NC | 20 | 80 | Elderly | Yes | No | No | $2,000,000 | | N | $0 | | Under Review |
| 10235 | 7 | 4/1/2010 | Villas of Giddings | Giddings | NC | 22 | 36 | General | Yes | No | No | $2,000,000 | | N | $0 | | Under Review |
| **Total HOME Applications** | | **10** | | **Unit Totals:** | | **186** | **744** | **Fund Totals:** | | | | **$15,389,556** | **$2,792,008** | | **$0** | **$0** | |

**Total Set-Aside Funding Level: $6,539,074**
**Available Balance: $6,539,074**

## CHDO Set-Aside

| File # | Reg. | Received By Date | Development Name | City | Housing Actvty(1) | Reqstd HOME Units | Total Units | Target(2) Population | Layering (3) 9% | 4% | HTF | Requested Project Funds | Awarded / Recommended Project Funds | CHDO | Requested CHDO Funds | Awarded / Recommended CHDO Funds | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10137 | 3 | 1/29/2010 | Evergreen at Wylie | Wylie | NC | 32 | 160 | Elderly | Yes | No | No | $2,000,000 | | Y | $50,000 | | Under Review |

Sorted by Date and Time Received

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

| File # | Reg. | Received By Date | Development Name | City | Housing Actvty(1) | Reqstd HOME Units | Total Units | Target(2) Population | Layering (3) 9% | 4% | HTF | Requested Project Funds | Awarded / Recommended Project Funds | CHDO | Requested CHDO Funds | Awarded / Recommended CHDO Funds | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10040 | 9 | 2/22/2010 | Ashton Senior Village | Schertz | NC | 36 | 176 | Elderly | Yes | No | No | $2,000,000 | | Y | $50,000 | | Under Review |
| 10059 | 3 | 3/1/2010 | Westway Place | Corsicana | NC | | 40 | General | Yes | No | No | $1,200,000 | | Y | $0 | | Under Review |
| 10050 | 3 | 3/1/2010 | West Park Senior Housing | Corsicana | NC | 25 | 48 | Elderly | Yes | No | No | $1,025,000 | | Y | $50,000 | | Under Review |
| 10241 | 5 | 3/10/2010 | Timberland Trails Apts | Lufkin | R | 31 | 80 | General | Yes | No | No | $2,000,000 | | Y | $0 | | Under Review |
| **Total HOME Applications** | **5** | | | **Unit Totals:** | | **124** | **504** | | **Fund Totals:** | | | **$8,225,000** | | | **$150,000** | | |

**Total Set-Aside Funding Level: $1,179,691**

**Available Balance: $179,691**

## PWD Set-Aside

| File # | Reg. | Received By Date | Development Name | City | Housing Actvty(1) | Reqstd HOME Units | Total Units | Target(2) Population | Layering (3) 9% | 4% | HTF | Requested Project Funds | Awarded / Recommended Project Funds | CHDO | Requested CHDO Funds | Awarded / Recommended CHDO Funds | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10093 | 3 | 3/1/2010 | Greenhaus at East Side Apts | Dallas | NC | 13 | 24 | General | Yes | No | No | $500,000 | | N | $0 | | Under Review |
| 10126 | 5 | 3/11/2010 | Auburn Square | Vidor | NC | 8 | 80 | General | Yes | No | No | $500,000 | $500,000 | N | $0 | $0 | Awarded 9/9/2010 |
| 10153 | 3 | 3/31/2010 | Britain Way | Irving | R | 17 | 168 | General | Yes | No | No | $500,000 | $500,000 | N | $0 | $0 | Awarded 9/9/2010 |
| **Total HOME Applications** | **3** | | | **Unit Totals:** | | **38** | **272** | | **Fund Totals:** | | | **$1,500,000** | **$1,000,000** | | **$0** | **$0** | |

Sorted by Date and Time Received

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

# 2010 HOME Multifamily Development Program - Award Recommendations

## Application Acceptance Period: 9/10/2010 to 4/29/2011

## Total NOFA Amount: $18,218,765

**Total Set-Aside Funding Level:** $10,500,000

**Available Balance:** $10,500,000

## General Set-Aside

| File # | Reg. | Received By Date | Development Name | City | Housing Actvty(1) | Reqstd HOME Units | Total Units | Target(2) Population | Layering (3) 9% | 4% | HTF | Requested Project Funds | Awarded / Recommended Project Funds | CHDO | Requested CHDO Funds | Awarded / Recommended CHDO Funds | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10033 | 4 | 2/26/2010 | Sulphur Springs Pioneer Crossing for Seniors | Sulphur Springs | NC | 20 | 80 | Elderly | Yes | No | No | $2,000,000 | $2,000,000 | N | $0 | $0 | Pending Award 11/10/2010 |
| 10151 | 11 | 3/2/2010 | Sunflower Estates | La Feria | NC | 16 | 80 | General | Yes | No | No | $792,008 | $792,008 | N | $0 | $0 | Pending Award 11/10/2010 |
| **Total HOME Applications** | **2** | | | **Unit Totals:** | | **36** | **160** | | **Fund Totals:** | | | **$2,792,008** | **$2,792,008** | | **$0** | **$0** | |

Sorted by Date and Time Received

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Active Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

**OFFICE OF COLONIA INITIATIVES**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Action Items

Presentation, discussion and possible action of the Texas Department of Housing and Community Affairs (Department) Texas Bootstrap Loan Program Notice of Funding Availability (NOFA).

> **RESOLVED**, that the Executive Director and his designees be authorized, and directed, for and on behalf of the Department, to program available additional funds from deobligations, repayments and earned funds into a 2010/2011 Texas Bootstrap Loan Program Notice Of Funds Available, as presented in this meeting;
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be authorized, and directed, for and on behalf of the Department, to program future deobligations, repayments and earned funds which are generated directly from prior Bootstrap activities, into current or future active Bootstrap NOFAs on an ongoing basis.

## Background

On November 2, 2009, the Department announced a Notice Of Funds Available (NOFA) of $11,625,833 from the State of Texas Housing Trust Funds for the Texas Bootstrap Loan Program through a reservation system until August 31, 2011 or until such time as all funding has been committed for fiscal years 2010/2011. The purpose of the funding is to purchase land and/or build new residential or improve existing residential housing through self-help construction methodologies for very low and extremely low income individuals and/or families (owner-builders) including persons with specials needs.

Two-thirds ($7,754,431) of the available funds were set-aside for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The majority of the set-aside counties are located along the Texas-Mexico border region and East Texas. The remainder of the funding, one-third ($3,871,402), was made available statewide. Approximately $6.4 million from the 2010/2011 NOFA remains available to date. Of this amount, $6.2 million remains in the statutorily required two-third set- aside balance and $250,000 is available in the statewide balance.

Section 2306.7581(a-b) requires the Department to establish an owner-builder revolving loan fund for the sole purpose of funding Bootstrap loans. Approximately $1.6 million has accumulated in the revolving loan fund through deobligations, repayments and earned funds. Staff is recommending the funds in the revolving loan fund be added into the 2010/2011 Texas Bootstrap Loan Program NOFA. Two-thirds ($1,065,600) of the available funds will be set-aside for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code and added to the $6.2 million already in that set-aside.. The remainder of the funding, one-third ($534,400), will be made available statewide in addition to the $250,000 already available statewide. Staff also recommends that as future deobligations, repayments and earned funds are generated directly from prior Bootstrap activities, that those be authorized to be recycled into the current active Bootstrap NOFA on an ongoing basis.

**HOUSING RESOURCE CENTER**

**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Presentation, Discussion and Possible Action regarding the 2011 Regional Allocation Formula Methodology.

> **RESOLVED,** that the 2011 Regional Allocation Formula Methodology for the HOME, Housing Tax Credit (HTC) and Housing Trust Fund (HTF) programs, in the form presented to this meeting, is hereby approved.

## Background

§2306.111(d) of the Texas Government Code requires that the Department use a Regional Allocation Formula (RAF) to allocate its HOME, Housing Tax Credit (HTC) and Housing Trust Fund (HTF) funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions used for planning purposes. The RAF also allocates funding to rural and urban areas within each region. As a dynamic measure of need, the RAF is revised annually to reflect updated data; respond to public comment; and better assess regional housing needs and available resources.

The HOME, HTC and HTF RAFs use slightly different formulas because the programs have different eligible activities, households, and geographical service areas. §2306.111(c) of the Texas Government Code requires that 95 percent of HOME funding be set aside for non-participating jurisdictions (non-PJs). Therefore, the HOME RAF only uses need and available resource data for non-PJs.

The 2011 RAF methodology was made available for public comment from September 17th through October 18th, 2010. No public comments were received and no changes have been made to the methodology since the draft was released to the public.

The final methodology will be published on the Department website. It should be noted that the Board is approving the formula methodology, not specific allocation amounts. The 2010 HISTA data, or Households by Income, Size, Tenure and Age, from Ribbon Demographics is utilized in the RAF. HISTA data is based upon special tabulations of 2000 US Census data with demographic projections provided by Claritas. This data arrived in October and the RAF figures are currently being updated.

Staff recommends updating the formula with recent award data following any Board action impacting 2010 awards during the November 10th Board meeting. Staff recommends updating the formula with available data until November 19th, permitting the Department to submit the RAF with the HTC Application Submission Procedures Manual submitted to the Governor for signature with the Qualified Action Plan by December 1st.

**ATTACHMENT A**
**2011 REGIONAL ALLOCATION FORMULA METHODOLOGY**

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BACKGROUND

Sections 2306.111(d) and 2306.1115 of the Texas Government Code require that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions used for planning purposes. These regions are shown in “Figure 1. State Service Regions”. The RAF also allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the RAF is revised annually to reflect updated demographic and resource data; respond to public comment; and better assess regional housing needs and available resources. The RAF is submitted annually for public comment.

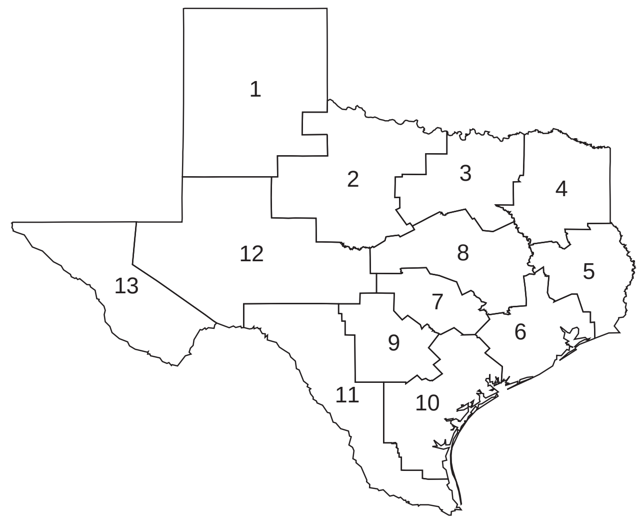

Figure 1. State Service Regions

The HOME, HTF and HTC RAFs use slightly different formulas because the programs have different eligible activities, households, and geographical service areas. §2306.111(c) of the Texas Government Code requires that 95 percent of HOME funding be set aside for non-participating jurisdictions (non-PJs). Therefore, the HOME RAF only uses need and available resource data for non-PJs.

METHODOLOGY

*Consideration of Affordable Housing Need*
The first part of the RAF determines the funding allocation based solely on objective measures of each region’s share of the State’s affordable housing need. The RAF uses the following 2000 US Census data to calculate this regional need distribution.

- Poverty: Number of persons in the region who live in poverty.
- Cost Burden: Number of households with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- Overcrowded Units: Number of occupied units with more than one person per room.
- Units with Incomplete Kitchen or Plumbing: Number of occupied units that do not have all of the following: sink with piped water; range or cook top and oven; refrigerator, hot and cold piped water, flush toilet, and bathtub or shower.

Non-poverty data is for households at or below 80% of the Area Median Family Income (AMFI).

- Because the HTC program supports rental development activities, renter household data is used for the HTC RAF.
- Because the HOME and HTF programs support renter and owner activities, both renter and owner data is used in the HOME and HTF RAFs.

The following steps are used to measure regional need.

1. Need data is adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.[1]

2. Each need measure is weighted to reflect its perceived relevance in assessing affordable housing need. Half the measure weight is associated with poverty because of the significant number of persons in poverty and the use of this factor in the HUD Community Planning and Development Program Formula Allocations. The remaining measure weight is proportionately allocated based on the relative size of the other three measure populations. The resulting need measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.

3. The following steps calculate the funding distribution based on the need measures.

    a. The total RAF funding amount is multiplied by each need measure weight to determine the amount of funding distributed by that measure.

    b. Each measure’s amount of funding is regionally distributed based on the distribution of persons or households in need.

4. The resulting regional measure distributions are then combined to calculate each region’s need-based funding amount.

5. Each region’s need based funding amount is divided by the total RAF funding amount. This quotient is the region’s need percentage.

*Consideration of Available Housing Resources*
In addition to TDHCA, there are many other sources of funding that address affordable housing needs. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region’s level of need to its level of resources.

Because the resources used in the RAF reflect the three programs’ eligible households and activities, the following data is used.

- The HTC RAF uses rental funding sources.
- The HTF RAF uses sources of rental and owner funding.
- The HOME RAF uses sources of rental and owner funding in non-PJs.

The following resources are used in the HOME, HTF and HTC RAFs.

- Housing Tax Credits (4% and 9%)[2]
- Housing Trust Fund Rental Development Funding
- HUD HOME Funds (TDHCA and Participating Jurisdiction)
- HUD Housing for Persons with AIDS Funding
- HUD Public Housing Authority (PHA) Capital Funding
- HUD §8 Tenant-Based Rental Assistance (TDHCA & PHA)
- Multifamily Texas Housing Trust Fund
- Multifamily Tax-Exempt Bond Financing[3]

[1] The 2010 HISTA data, or Households by Income, Size, Tenure and Age, from Ribbon Demographics is utilized in the RAF. HISTA data is based upon special tabulations of 2000 US Census data with demographic projections provided by Claritas.
[2] Estimated capital raised through the syndication of the HTCs. This figure is $0.70 based upon a survey of HTC applications.
[3] The value of the bonds is 62 percent of the total bond amount. This is an estimate of the capital required to fill an affordability gap that remains after the capital raised through the syndication of the 4% HTCs is deducted from the total development cost. The Final RAF will utilize the most current award data available.

- United States Department of Agriculture (USDA) Multifamily Development Funding
- USDA Rental Assistance

The HOME and HTF RAFs also include the following sources of owner funding.

- USDA 502 and 504 Loans and Grants
- Single Family Bond Financing (TDHCA and Housing Finance Corporations)

These steps calculate the regional distribution of available housing resources.

1. The available resources are summed by region and for the state. The resulting sums are the regional and state resource totals.
2. The regional resource total is divided by the state resource total. This quotient is the region's resource percentage.

*Comparison of Regional Need and Available Resource Distributions*
In theory, if the measurement of regional need is accurate, then the region's need percentage should reflect its resource percentage. A region with a negative resource and need difference is considered to be "under allocated." This region should have received a larger portion of the available resources to address their need. Similarly, a region with a positive difference is considered "over allocated." Conversely, it should have received a smaller portion of the available resources.

To address differences between the regional need and resource distributions, the RAF uses a resource funding adjustment to shift a portion of the need based funding distribution from over allocated to under allocated regions.

A resource funding adjustment limit is used to ensure that a particular region or geographical area is not overly penalized or benefited by the resource funding adjustments. A region's need based funding amount cannot be reduced or increased by more than the percentage of the state's available resources that are not already regionally distributed. This percentage is calculated by finding the average difference between each funding source's regional distribution and the regional need percentages. Sources whose average of the regional differences exceeds five percent or that are not distributed to all regions are included in the resource funding adjustment limit.

The following steps calculate the resource funding adjustments.

1. The regional resource percentage and regional need percentage differences are calculated.
2. The resulting over allocated (positive) resource differences are summed to calculate the state resource difference.
3. The state resource difference is multiplied by the total RAF funding. This product is the state over allocated resource amount.
4. Each over allocated resource difference is divided by the state resource difference. This quotient is the over allocation percentage.
5. Each over allocation percentage is multiplied by the state over allocated resource amount to determine the base resource funding adjustment.
6. The region's need based funding amount is multiplied by the resource funding adjustment limit. This product is the maximum resource funding adjustment.
7. The lesser of the base resource funding adjustment and the maximum resource funding adjustment is the over allocated region's resource funding adjustment.
8. The over allocated regions' resource funding adjustments are summed. This total is the state under allocated resource amount.
9. Each under allocated (negative) resource difference is divided by the state resource difference to determine the under allocation percentage.

10. Each under allocation percentage is multiplied by the state under allocated resource amount. This product is the under allocated region's resource funding adjustment.

*Consideration of Rural and Urban Need*[4]

There are a number of factors that affect the distribution of resources to rural and urban areas. These include rural area feasible development sizes, allowable rent and income levels, and proximity to developers, contractors, and materials. Access to resources is also an issue because some funding, such as multifamily tax-exempt bond financing, does not work very well in rural areas. As required by §2306.111(d) of the Texas Government Code, to ensure an equitable distribution of funding to both rural and urban areas, the RAF analyzes the distribution of rural and urban need and resources at the regional level.

The RAF uses the following definitions to categorize rural and urban areas.

1. Area - The geographic area contained within the boundaries of:
   a. an incorporated place, or
   b. a Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census.
2. Rural – An Area that is:
   a. outside the boundaries of a metropolitan statistical area (MSA); or
   b. within the boundaries of a MSA, if the Area has a population of 25,000[5] or less and does not share a boundary with an Urban Area.[6]
   c. in an Area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an Area that is located in a municipality with a population of more than 50,000.[7]

3. Urban – An Area that:
   a. is located within the boundaries of a metropolitan statistical area (MSA); or
   b. does not meet the Rural Area definition.

*Measuring Rural and Urban Affordable Housing Need*

The following steps calculate the level of need in rural and urban areas.

1. Need data are adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.
2. The same need measure weights used to determine the regional need distribution are multiplied by the region's funding amount. This product is the measure funding amount.
3. Area level measure data is identified as being rural or urban based on the RAF area definitions.

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[4] §2306.111(d) requires the RAF to consider "rural and urban areas" in its distribution of program funding.

[5] The definition of "population" in state law (Sec. 311.005(3), Government Code) is "the population shown by the most recent federal decennial census." Because of this requirement, the decennial census place population must be used to make the area type determination.

[6] Applicants may petition TDHCA to update the "Rural" designation of an incorporated area within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the area's incorporated boundary touches the boundary of another incorporated area with a population of over 25,000. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

[7] TDHCA utilizes the most recent list of designated places produced by the Texas USDA Rural Development State Office. Applicants may petition TDHCA to update the "Rural" designation of an area by providing a letter from a USDA Rural Development official clearly stating that the area is eligible for funding by USDA Rural Development. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

4. Using the coded area data, each measure's affected number of rural and urban persons or households in the region is calculated.
5. The corresponding measure rural and urban percentages are calculated.
6. For each measure, the regional funding amount is multiplied by the measure rural and urban percentages to calculate the rural and urban measure funding amounts.
7. The rural and urban measure funding amounts are summed for the measures. These totals are the region's rural and urban need based funding amounts.
8. The region's rural and urban need based funding amounts are divided by the region's total funding amount. These quotients provide the region's rural and urban need percentages.

*Measuring Rural and Urban Available Resources*
The following steps calculate the Rural and Urban distribution of available housing resources.

1. The geographically coded area data is summed to calculate regional rural and urban resource totals. Funding allocated at the county level is proportionately distributed based on the percentage split between rural and urban areas within the county. The resulting totals are the rural and urban resource totals.
2. The corresponding regional rural and urban resource percentages are calculated.

*Rural and Urban Available Resources Funding Adjustment*
The following steps calculate the rural and urban area resource funding adjustments.

1. The differences between the rural and urban resource percentages and rural and urban need percentages are calculated. The resulting differences shows which of the two areas (rural or urban) were over or under allocated.
2. Each over allocated (positive) area resource difference is multiplied by the region's funding amount. For example, if the urban area is over allocated, then the difference is multiplied by the Regional Funding Amount. The resulting product is the area's base resource funding adjustment.
3. The over allocated area's need based funding amount is multiplied by the resource funding adjustment limit. This product is the area's maximum resource funding adjustment.
4. The lesser of the area's base resource funding adjustment or the maximum resource funding adjustment is the area's resource funding adjustment.

*Rural and Urban Regional Funding Amounts*
The area's over allocated resource funding adjustment is subtracted from the over allocated area's need based funding amount and is added to the under allocated area's need based funding amount.

For the HTC RAF, the regional amount of rural funding is adjusted to a minimum of $500,000, if needed, and the overall state rural percentage of the total tax credit ceiling amount is adjusted to a minimum of 20 percent, if needed.

## Questions and Comments

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**HOUSING RESOURCE CENTER**

**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Presentation, Discussion and Possible Action regarding the 2011 Affordable Housing Needs Score Methodology

> **RESOLVED,** that the 2011 Affordable Housing Needs Score Methodology for the HOME, Housing Tax Credit (HTC) and Housing Trust Fund (HTF) programs, in the form presented to this meeting, is hereby approved.

## Background

The Affordable Housing Needs Score (AHNS) scoring criterion is used to evaluate HOME, HTC, and HTF applications. The formula is submitted annually for public comment. The final methodology and resulting scores are published on the TDHCA website.

While not specifically legislated by the state, the AHNS helps address other need-based funding allocation requirements by responding to:

- an IRS Section 42 requirement that the selection criteria used to award the HTC funding must include "housing needs characteristics."
- State Auditor's Office (SAO) and Sunset findings that called for the use of objective, need based criteria to award TDHCA's funding.

Through the AHNS, applicants are encouraged to request funding to serve communities that have a high level of need. The HOME, HTC, and HTF programs use slightly modified versions of the AHNS because the programs have different eligible activities, households, and geographical areas. Under §2306.111(c) of the Texas Government Code, 95 percent of HOME funding is set aside for non-participating jurisdictions (PJ). Therefore, the HOME AHNS only uses need data for non-PJs.

The Draft 2011 AHNS Methodology was made available for public comment from September 17th through October 18th, 2010. No public comments were received and no changes have been made to the methodology since the draft was released to the public.

Staff recommends updating the scores with recent award data until November 19th to allow for any changes in 2010 awards during the November 10th Board meeting. The 2010 HISTA data, or Households by Income, Size, Tenure and Age, from Ribbon Demographics is utilized in the AHNS. HISTA data is based upon special tabulations of 2000 US Census data with demographic projections provided by Claritas. This data arrived in October, and the AHNS figures are currently being updated.

# Attachment A
# 2011 Affordable Housing Needs Score Methodology

**Background**

The AHNS scoring criterion is used to evaluate HOME, Housing Tax Credit (HTC), and Housing Trust Fund (HTF) applications. The formula is submitted annually for public comment. The final version is published in the SLIHP.

While not specifically legislated by the state, the AHNS helps address other need based funding allocation requirements by responding to:

- an IRS Section 42 requirement that the selection criteria used to award the HTC funding must include "housing needs characteristics."
- State Auditor's Office (SAO) and Sunset findings that called for the use of objective, need based criteria to award TDHCA's funding.

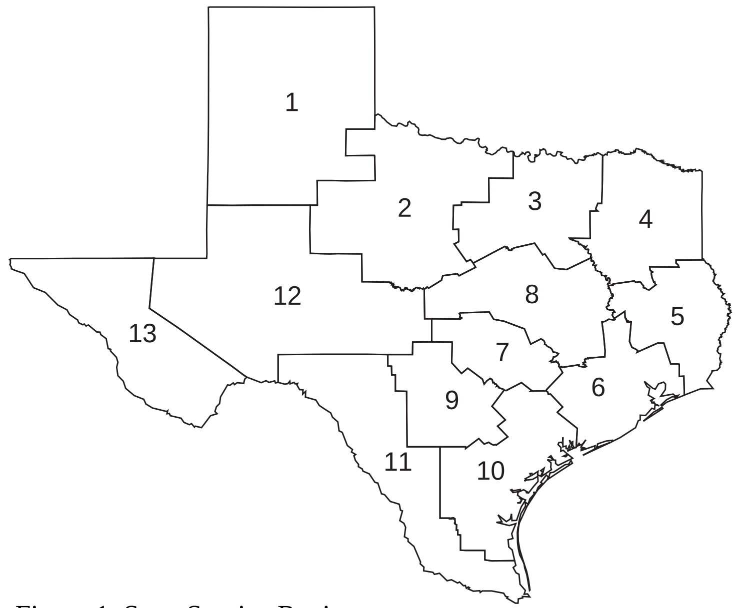

Figure 1. State Service Regions

The AHNS is an extension of the TDHCA Regional Allocation Formula (RAF) in that it provides a comparative assessment of each area's level of need relative to the other areas within its State Service Region. Through the AHNS, applicants are encouraged to request funding to serve communities that have a high level of need.

The HOME, HTF, and HTC programs use slightly modified versions of the AHNS because the programs have different eligible activities, households, and geographical areas. Under §2306.111(c) of the Texas Government Code, at least 95 percent of HOME funding is set aside for non-participating jurisdictions. Therefore, the HOME AHNS only uses need data for non-participating jurisdictions.

**Methodology**

The following steps measure each area's level of affordable housing need.

1) The Census number of households at or below 80% AMFI with cost burden establishes baseline for each area's number of households in need of housing assistance. The type of household considered for this baseline varies by activity.

   a) Renter data is used for the rental development (RD), tenant based rental assistance (TBRA), and down payment assistance (DPA) scores.

   b) Owner data is used for the owner occupied rehabilitation (OCC) score.

2) For each activity, an adjusted number of households with cost burden is calculated based on the difference between the area's population in the 2000 Census and the most accurate and recent population estimate data available.

3) The number of households assisted using TDHCA funding since the Census was taken (April 1, 2000) is subtracted from the adjusted number of households with cost burden. The resulting number shows the area's estimated remaining need.

   a) For HTC scores, RD activity is used;

b) For HOME and HTF TBRA and RD scores, TBRA[1] and RD activity is used;
c) For HOME and HTF DPA scores, First Time Homebuyer and HOME DPA activity is used; and
d) For HOME and HTF OCC scores, HOME OCC activity is used.

4) The estimated remaining need measure is used to quantify the area's level of need for each scoring activity as measured by the ratio of the area's households in need to the area's total households. This ratio shows the concentration of need within an area.

5) A sliding scale that compares each area's level of need to the region's other areas is used to assign points to each area based on its relative concentration of need (maximum of 6 points).

**Rural and Urban Need**

Section 2306.111(d) of the Government Code requires the RAF to consider rural and urban areas in its distribution of funds. To assist with this distribution, each area is classified using the RAF's geographic area definitions.

The RAF and AHNS use the following definitions to categorize rural and urban areas.

1. Area - The geographic area contained within the boundaries of:
    a. an incorporated place, or
    b. a Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census.
2. Rural – An Area that is:
    a. outside the boundaries of a metropolitan statistical area (MSA); or
    b. within the boundaries of a MSA, if the Area has a population of 25,000 or less[2] and does not share a boundary with an Urban Area.[3]
    c. in an Area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an Area that is located in a municipality with a population of more than 50,000.[4]
3. Urban – An Area that:
    a. is located within the boundaries of a metropolitan statistical area (MSA); or
    b. does not meet the Rural Area definition.

For the HOME program, a county score is used for activities that will serve more than one Area within a county. If multiple counties or Areas in multiple counties will be served by an application, then the county scores will be averaged. Participating Jurisdictions (PJ) receive a score of zero.

[1] Because of the limited duration of TBRA, a conversion factor was used to equate the value of a voucher to an affordable housing unit. This factor equaled the voucher duration divided by the number of years since the Census. For 2010, this is 2 years/10 years or an approximate reduction in the number of households in need by 25 percent for each TBRA voucher.

[2] The definition of "population" in state law (Sec. 311.005(3), Government Code) is "the population shown by the most recent federal decennial census." Because of this requirement, the decennial census place population must be used to make the area type determination.

[3] Applicants may petition TDHCA to update the "Rural" designation of an incorporated area within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the area's incorporated boundary touches the boundary of another incorporated area with a population of over 25,000. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

[4] TDHCA utilizes the most recent list of designated places produced by the Texas USDA Rural Development State Office. Applicants may petition TDHCA to update the "Rural" designation of an area by providing a letter from a USDA Rural Development official clearly stating that the area is eligible for funding by USDA Rural Development. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications, or application submission period for HOME applications.

**Housing Resource Center**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation, Discussion and Possible Action regarding the *2011 State of Texas Consolidated Plan: One-Year Action Plan*

> RESOLVED, that the 2011 State of Texas Consolidated Plan: One-Year Action Plan, in the form presented to this meeting, is hereby approved and
>
> FURTHER RESOLVED, that the Executive Director and his designees are authorized and empowered to approve the 2011 State of Texas Consolidated Plan: One-Year Action Plan and submit the Plan to the U.S. Department of Housing and Urban Development (HUD).

## Background

The Texas Department of Housing and Community Affairs (TDHCA), Texas Department of Rural Community Affairs (TDRA), and Department of State Health Services (DSHS) prepared the 2011 State of Texas Consolidated Plan: One-Year Action Plan (Plan) in accordance with 24 CFR §91.320. TDHCA coordinates the preparation of the State of Texas Consolidated Plan documents. The Plan covers the State's administration of the Community Development Block Grant Program (CDBG) by TDRA, the Housing Opportunities for Persons with AIDS Program (HOPWA) by DSHS, and the Emergency Shelter Grants (ESG) Program and the HOME Investment Partnerships (HOME) Program by TDHCA.

The Plan reports on the intended use of funds received by the State of Texas from the U.S. Department of Housing and Urban Development (HUD) for Program Year 2011. The Program Year begins on February 1, 2011, and ends on January 31, 2012. The Plan also illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the 2010-2014 State of Texas Consolidated Plan.

The Plan was available for public comment from September 17 through October 18, 2010. See Attachment A for a summary of the comment received for TDHCA and the State's reasoned responses. Public comment was also received for TDRA and will be addressed in the final version of the Plan by TDRA. No changes are recommended to the Plan by TDHCA staff. The final version of the Plan is due to HUD by December 15, 2010.

**Summary of significant changes from the 2010 Consolidated Plan: One-Year Action Plan for the HOME and ESG programs as approved by the Board September 2010 and released for comment.** Note that the Plan includes revisions to the CDBG and HOPWA portions of the document; however CDBG and HOPWA programs are administered by TDRA and DSHS. In addition to the changes made below, non-substantive technical corrections were made as staff deemed necessary to from the draft Plan to final Plan.

HOME Program:

- Simplified Action Plan by removing restated federal definitions and requirements.
- Incorporated updates regarding rule changes, especially regarding the administration of the HOME program through pilot programs for a reservation system and direct administration.
- Planned new efforts to meet the Section 3 responsibilities and reporting requirements for HUD-funded construction.
- Completed a new Homeless and Special Needs Goals chart.
- Department is in process of conducting the Four-Factor Analysis required under Title VI of the Civil Rights Act of 1964. The Four-Factor Analysis is the first step to ensure access to TDHCA programs for residents of Texas designated as possessing limited English proficiency.

ESG Program:

- The name of the program changed from Emergency Shelter Grant Program to Emergency Solutions Grant Program effective Project Year 2011. The use of funds for the program will increase an emphasis on re-housing persons that are homeless and preventing homelessness while still providing a limited amount of funding for the support of homeless shelter operations.
- Planned new efforts to meet Section 3 responsibilities and reporting requirements for HUD-funded construction.
- Completed a new Homeless and Special Needs Goals chart.

Other TDHCA actions:

- More detail provided on TDHCA's role in a number of advisory workgroups and statutory commissions to enhance coordination among service providers and stakeholders.
- "Other Actions" taken by the state to meet the requirements of Consolidated Submissions for Community Planning 91.320(j) were moved from the programs' Action Plans to the end of the document to increase consistency and clarity for the reader. Topics under "Other Actions" include Meeting Underserved Needs; Fostering and Maintaining Affordable Housing; Lead-Based Paint Hazard Mitigation; Reducing Poverty-Level Households; Developing Institutional Structure; Coordination of Housing and Services; and Addressing Public Housing Authorities Needs.

- Under Coordination of Housing and Services, a new Housing and Transportation coordination effort has been undertaken by TDHCA and Texas Department of Transportation.

## ATTACHMENT A
## SUMMARY OF PUBLIC COMMENT ON THE 2011 STATE OF TEXAS CONSOLIDATED PLAN: ONE YEAR ACTION PLAN

**Comment 1:**

Commenter wanted TDHCA to coordinate the HOME multifamily funding cycle to the U.S. Department Agriculture (USDA) Section 514/516 funding cycle for farm labor housing. Section 514/516 applications may be more successful if they can show funding approval of TDHCA funds prior to Section 514/516 application submission and funding commitment within one year of the USDA approval. The current process for HOME multifamily awards requires the developer to be project-ready before obtaining Board approval.

**Reasoned Response 1:**

The timetable for submission of applications or application cycles is not included in the State of Texas Consolidated Plan: One Year Action Plan (OYAP). TDHCA receives HOME Program funds from HUD at varying times each year, which would make it difficult to provide accurate timetables in the OYAP. Generally, TDHCA develops Notices of Funding Availability (NOFAs), which are approved by the Board, as funding becomes available for programming. For several years TDHCA has made funding available in NOFAs on a first-come, first-served basis with a long open application cycle to provide flexibility in accessing funds. Staff believes existing processes are no longer a conflict with the 514/516 funding cycle.

**Comment 2:**

Commenter wants TDHCA funding to be more flexible in order to make it easier for developers to attract USDA funding for farmworker housing. In some cases grants are required, predevelopment funding is often lacking and early commitments are essential.

**Reasoned Response 2:**

Under the current HOME Program Rule, a portion of Department funds for rental development can be awarded in the form of a deferred forgivable loan under certain circumstances and several USDA developments have taken advantage of funds using this provision of the Rule. Additionally, interest rates as low as 0% are available with loan terms as long as 40 years and all HOME funds are 0% interest during construction to reduce interest carrying costs.

**Comment 3:**

Two people advocated for the creation of conditional commitments. One commenter recommended the creation of a new program within HOME to allow for conditional commitments – similar to programs found in California, Florida and Washington – to attract federal USDA funding for farm worker housing.

Another commenter recommended adding language specific to conditional commitments to page 36 and page 39 of the 2011 Plan:

> "…A standard underwriting review will be performed on applications under this activity. However, TDHCA staff will be allowed to determine financial feasibility without firm commitments from other sources. Conditional commitments of HOME funds can be issued as long as other sources have been identified and will be available to the project in a reasonable amount of time."

**Reasoned Response 3:**

The current HOME Program Rule requires bona fide financing commitments be submitted with an application for HOME funds, therefore suggested wording about conditional commitments in the Plan will not be incorporated. However, TDHCA will take the recommendations under advisement and direct staff to investigate ways to improve an applicant's ability to layer HOME funds with USDA funding during the next annual rule making cycle.

**Comment 4:**

> Commenter suggests changing the "migrant farmworker" special needs category to "seasonal and migrant farmworkers" to make the category more inclusive and consistent with the 2003 State of Texas Analysis of Impediments to Fair Housing Choice.

**Reasoned Response 4:**

The term "migrant farmworker" was included in the 2010 One-Year Action Plan under the definition of "Special Needs Populations." This definition remains in the current HOME Program Rule but was removed from the 2011 Draft OYAP to eliminate duplication. However, TDHCA will take the recommendations under advisement and direct staff to consider this change during the next annual rule making cycle.

**Comment 5:**

> Commenter suggests conducting "aggressive outreach" to the farmworker population in order to make sure farmworkers are aware of the services available to them.

**Reasoned Response 5:**

The Department relies on local partners and subrecipients to identify and address local needs and provide outreach within the communities they are serving. Staff provides extensive technical assistance to organizations and units of local government applying for or administering funds including on-site technical assistance visits to review and provide guidance with respect to program requirements. The Rural Housing Workgroup looks at ways that TDHCA, considering budget and staffing constraints, can address rural outreach, including farmworker populations.

**Comment 6:**

> The data from the 2005 to 2008 Annual Progress Reports indicates only 11 farmworkers in total were served. Commenter suspects this is an understatement of the actual number

of farmworkers served. Commenter advocates better reporting to more accurately reflect the number of farmworkers assisted.

**Reasoned Response 6:**

TDHCA concurs that the data available on farmworkers served is most likely not representative of the actual numbers. TDHCA has recently made a number of improvements in the Housing Contract System from which this information is collected from subrecipients. Changes include making the special needs fields, which includes farmworker designation, a required field for submission of household information. TDHCA will also look into ways that special needs households could be reported in rental units. TDHCA relies on the quality of information entered by program subrecipients and will continue to work to improve the quality of reported data.

**Comment 7:**

Commenter would like a TDHCA staff person assigned to provide assistance to organizations providing, or attempting to provide, farmworker housing and other rural housing options. The staff person would need to understand the farmworker population and range of housing requirements, including temporary residency and permanent housing options such as rental and ownership. This staff person would address the lack of capacity in rural areas.

**Reasoned Response 7:**

TDHCA had intended to create a rural ombudsman position. However, based on recent budget and staffing constraints, the position has not yet been created. TDHCA remains committed to addressing rural housing issues.

**Comment 8:**

Commenter points out the problem of households that owe $2,000 to $3,000 worth of back taxes, which is too small an amount for the IRS to create a payment plan with the household, and which disqualifies the household from receiving HOME homeowner rehabilitation assistance. Commenter would like a way to help these households with HOME funds.

**Reasoned Response 8:**

For the HOME Program, the requirement to be current on property taxes for the assisted housing unit or alternatively be current on a tax payment plan is a requirement for meeting the federal definition of homeownership. Households that do not meet this requirement are not eligible under the federal rules to receive funds for rehabilitation or reconstruction. Under all TDHCA programs, payment of delinquent property taxes is an ineligible expense.

**Comment 9:**

Commenter would like HOME to shorten the time between the release of the Notice of Funding Availability (NOFA) and the collapsing of funds from the regional allocation to one state-wide allocation. Because of the waiting period before collapsing the regional funding categories, contracts from the previous NOFA cycle have not yet been executed when the current NOFA is available, so eligible entities can not apply for funds in the current NOFA cycle.

**Reasoned Response 9:**

The Colonia Model Subdivision NOFA under which the Commenter's application was awarded included statutory requirements that are no longer applicable. Under the more recently approved HOME Single Family Development Program NOFA, which provides funds for the same activity, the two collapse periods have been reduced to one statewide collapse. Additionally, while the current NOFA expires in December, the TDHCA currently plans to make funds available for Single Family Development in 2011.

# *2011 State of Texas Consolidated Plan*
# *One-Year Action Plan*

November 10, 2010


Prepared by:

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# EXECUTIVE SUMMARY

24 CFR §91.320(b)

The 2011 One-Year Action Plan (Plan) illustrates the combined actions of the Texas Department of Housing and Community Affairs (TDHCA), Texas Department of Rural Affairs (TDRA), and Department of State Health Services (DSHS), referred to collectively as the State. The One-Year Action Plan reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2011. This Plan is for the HOME Investment Partnerships (HOME) Program, the Emergency Solutions Grant Program (ESGP), the Community Development Block Grant (CDBG) Program, and the Housing Opportunities for Persons with AIDs (HOPWA) Program. The 2011 PY begins on February 1, 2011 and ends on January 31, 2012. The performance report on PY 2010 funds will be available in May 2011.

One-Year Action Plan consists of the following sections:

- Summary. Provides a detailed synopsis of the One-Year Action Plan.
- General Information. A description of the State's plan to undertake other activities that fulfill requirements of 24 CFR §91.320(b), §91.320(c), §91.320(f), §91.320(h), and §91.320(i).
- Action Plans. Program-specific plans for HOME, ESGP, CDBG, and HOPWA illustrating funding guidelines and fund allocations as required under 24 CFR §91.320(d), §91.320(e), §91.320(g), and §91.320(k).
- Other Actions. A description of the State's plan to undertake other activities that fulfill requirements of §91.320(j).

## OBJECTIVES AND OUTCOMES

The 2011 One-Year Action Plan:

1. Reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2011
2. Explains the State's method for distributing CDBG, ESG, HOME, and HOPWA program funds
3. Provides opportunity for public input on the development of the annual plan

The State's progress in achieving the goals put forth in the One-Year Action Plan will be measured according to HUD guidelines (24 CFR 91.520) and outlined in the Annual Performance Report released yearly in May.

In accordance with the guidelines from HUD, the State complies with the new CPD Outcome Performance Measurement System. Program activities are categorized into the objectives and outcomes listed in the chart on the next page.

| OBJECTIVES | OUTCOME 1 Accessibility | OUTCOME 2 Affordability | OUTCOME 3 Sustainability |
|---|---|---|---|
| **OBJECTIVE #1** Suitable Living Environment | Enhance Suitable Living Environment Through Improved/New Accessibility **(SL-1)** | Enhance Suitable Living Environment Through Improved/New Affordability **(SL-2)** | Enhance Suitable Living Environment Through Improved/New Sustainability **(SL-3)** |
| **OBJECTIVE #2** Decent Housing | Create Decent Housing with Improved/New Availability **(DH-1)** | Create Decent Housing with Improved/New Affordability **(DH-2)** | Create Decent Housing with Improved/New Sustainability **(DH-3)** |
| **OBJECTIVE #3** Economic Opportunity | Provide Economic Opportunity Through Improved/New Accessibility **(EO-1)** | Provide Economic Opportunity Through Improved/New Affordability **(EO-2)** | Provide Economic Opportunity Through Improved/New Sustainability **(EO-3)** |

The objectives and outcomes as they apply to each of the four programs are listed below. The estimated performance figures are based on planned performance during the Program Year (February 1st through January 31st) of contracts committed and projected households to be served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on anticipated units and households at time of award.

**HOME Program Performance Measures, PY 2011**

| Outcomes and Objectives | Performance Indicators | Expected Number |
|---|---|---|
| DH-2 | Rental units assisted through new construction and rehabilitation | 262 |
| DH-2 | Tenant-based rental assistance units | 170 |
| DH-2 | Existing homeowners assisted with reconstruction or rehabilitation | 200 |
| DH-2 | Homebuyers assisted with acquisition costs and/or rehabilitation or new construction | 210 |

**ESGP Performance Measures, PY 2011**

| Outcomes and Objectives | Performance Indicators | Expected Number |
|---|---|---|
| SL-1 | Provide funding to support the provision of emergency and/or transitional shelter to homeless persons. | 26,000 |
| DH-2 | The provision of non-residential services including homelessness prevention assistance. | 35,000 |

**CDBG Performance Measures, PY 2011**

| Objectives and Outcomes | Performance Indicators | Expected Number |
|---|---|---|
| SL-1 | Neighborhood Facilities | 4 |
| SL-1 | Water/Sewer Improvements | 141 |
| SL-2 | Water/Sewer Improvements | 9 |
| SL-3 | Water/Sewer Improvements | 74 |
| SL-1 | Street Improvements | 96 |
| SL-2 | Street Improvements | 3 |

| Objectives and Outcomes | Performance Indicators | Expected Number |
|---|---|---|
| SL-3 | Street Improvements | 2 |
| SL-1 | Rehabilitation; Single Unit Residential | 52 |
| DH-2 | Rehabilitation; Single Unit Residential | 9 |
| DH-3 | Rehabilitation; Single Unit Residential | 2 |
| DH-2 | Homeownership Assistance | 1 |
| SL-1 | Parks, Playgrounds, and Other Recreational Facilities | 2 |
| SL-1 | Public Service | 3 |
| SL-1 | Other Public Utilities | 3 |
| EO-3 | Other Public Utilities | 1 |
| SL-1 | Clearance Demolition Activities | 9 |
| SL-3 | Clearance Demolition Activities | 1 |
| SL-1 | Fire Stations/Equipment | 4 |
| EO-1 | ED Direct Financial Assistance for For-Profits | 2 |
| EO-2 | ED Direct Financial Assistance for For-Profits | 32 |

HOPWA Performance Measures, PY 2011

| Outcomes and Objectives | Performance Indicators | Expected Number |
|---|---|---|
| DH-2 | TBRA housing assistance | 550 |
| DH-2 | STRMU housing assistance | 650 |
| DH-2 | Supportive Services (restricted to case mgt., smoke detectors, and phone service) | 1,200 |
| DH-1 | Permanent Housing Placement (security deposits, application fees, credit checks) | 20 |

## EVALUATION OF PAST PERFORMANCE

The HOME Program committed $73,203,784 with 1,439 total beneficiaries reported in PY 2009 (February 1, 2009, through January 31, 2010). Distribution of the funds by activity is described in the table below.

HOME Funds Committed, PY 2009

| Activity | Amount |
|---|---|
| Homebuyer Assistance (all activities) | $2,313,755 |
| Homeowner Rehabilitation | $25,258,560 |
| Tenant Based Rental Assistance | $3,251,740 |
| CHDO Rental Development | $9,100,000 |
| CHDO Operating Expenses | $100,000 |
| Rental Housing Development | $33,179,729 |
| **Total** | $73,203,784 |

ESGP funds received for PY 2009 were awarded in May 2009. The State ESGP contracts using PY 2009 funds began on September 1, 2009, and will end August 31, 2010, corresponding with the Texas State Fiscal Year (FY). For PY 2009, ESGP committed $4,986,035 through 74 grants, including shared administrative funds.

**ESGP Fund Expenditures by Activity, PY 2009**
***(FY'08 2/1/09-8/31/09 and FY'09 9/1/09-1/31/10)***

| Activity | Funding Amount | Percentage |
|---|---|---|
| Rehabilitation | $22,840 | .37% |
| Maintenance, Operations | $2,306,478 | 37.23% |
| Essential Services | $1,154,150 | 18.63% |
| Homeless Prevention | $2,362,619 | 38.14% |
| Operations Administration | $326,415 | 5.27% |
| Administration shared w/local govts | $22,617 | .37% |
| **Total Funds Committed** | **$6,195,119** | |

**Includes ESG expenditures from two contract periods, FY 2008 and FY 2009*

During Program Year 2009, the Texas CDBG Program committed a total of $73,892,994 through 299 awarded contracts. For contracts that were awarded in PY 2009, 514,663 persons received service. Distribution of the funds by activity is described in the table below.

***CDBG Funds Committed, PY 2009***

| Fund | Program Description | 2009 Total Obligation |
|---|---|---|
| Community Development | Provides grants on a competitive basis to address public facility and housing needs such as sewer, water system, road, and drainage improvements. | $49,470,236 |
| Texas Capital Fund | Provides financing for projects that create and retain jobs primarily for low- and moderate-income persons. | $8,570,400 |
| Colonia Construction Fund | Colonia Construction Fund provides grants for colonia projects; primarily water, sewer and housing. | $5,222,562 |
| Colonia EDAP Fund | Provides grants for colonias for the cost of service lines, service connections, and plumbing improvements associated with being connected to a Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP)-funded water and sewer system improvement project. | $1,473,600 |
| Colonia Planning Fund | Colonia Area Planning Fund – provides grants for preliminary surveys and site engineering, provides assistance towards the cost of architectural services, mortgage commitments, legal services, and obtaining construction loans.<br>Colonia Comprehensive Planning Fund - provides assistance that is used to conduct a | $350,000 |

| Fund | Program Description | 2009 Total Obligation |
|---|---|---|
| | complete inventory of the colonias that includes demographic, housing, public facilities, public services, and land use statistics. | |
| Colonia Self-Help Centers | Provides grant funds for the operation of seven Self-Help Centers in colonias. | $0 |
| Planning / Capacity Building | Provides grants on a competitive basis to communities for planning activities that address public facility and housing needs. | $916,681 |
| Disaster Relief/ Urgent Need | Provides grants to communities on an as-needed basis for recovery from disasters such as floods or tornadoes and Urgent water and sewer needs of recent origin that are unanticipated and pose a serious public safety or health hazard. | $5,493,320 |
| STEP Fund | Provides grants to cities and counties for solving water and sewer problems with a self-help approach that requires local participation through donated labor and materials. | $2,073,195 |
| Renewable Energy | Provides grants to cities and counties for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy). The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. | $323,000 |
| **Total** | | **$73,892,994** |

The HOPWA Program expended $3,137,633 with 1,188 beneficiaries of housing assistance reported in PY 2009. Funds were used toward tenant-based rental assistance and emergency assistance to prevent homelessness of low-income persons with HIV/AIDS, support services and administration. Distribution of the funds by activity is described in the table below.

**HOPWA Program Expenditures, PY 2009**

| Activity | Amount |
|---|---|
| Expenditures for Housing Information Services | $0 |
| Expenditures for Resource Identification | $0 |
| Expenditures for Housing Assistance (equals the sum of all sites and scattered-site Housing Assistance) | $2,534,373 |
| Expenditures for Supportive Services | $408,902 |
| Grantee Administrative Costs expended | $30,800 |
| Project Sponsor(s) Administrative Costs expended | $163,540 |
| **Total of HOPWA funds expended during period** | **$3,137,633** |

# GENERAL INFORMATION

The following General Information section meets the requirements of 24 CFR §91.320(b), §91.320(c), §91.320(f), §91.320(h), and §91.320(i). General Information includes Citizen Participation; Managing the Process; Available Resources; Geographic Areas of Jurisdiction and Allocation; Homeless Needs and Other Special Needs Categories; Barriers to Affordable Housing; and Monitoring.

# CITIZEN PARTICIPATION

§91.320(b)

## CITIZEN PARTICIPATION PROCESS

The Action Plan was made available for a 32-day public comment period from September 17, 2010 to October 18, 2010. In addition, public hearings were held at 6 locations across the state, including Austin, Brownsville, Dallas, El Paso, Houston, and Midland. Written comment was accepted at the public hearings and by mail, fax, or email. Public comment was received for the HOME Program and the CDBG Program.

## EFFORTS MADE TO BROADEN PUBLIC PARTICIPATION

The notification process for the public hearings included the following: a notice in the Texas Register; a TDHCA website posting; and email to TDHCA email lists including approximately 3,000 cities, counties, developers, non-profit organizations, legislative contacts, advocacy groups, subcontractors, and other interested parties. Spanish speaking staff were in attendance at the hearings in El Paso and Brownsville to assist individuals who require a language interpreter.

## SUMMARY OF PUBLIC COMMENTS FOR THE HOME PROGRAM (TDHCA)

Comment 1:

> Commenter wanted TDHCA to coordinate the HOME multifamily funding cycle to the U.S. Department Agriculture (USDA) Section 514/516 funding cycle for farm labor housing. Section 514/516 applications may be more successful if they can show funding approval of TDHCA funds prior to Section 514/516 application submission and funding commitment within one year of the USDA approval. The current process for HOME multifamily awards requires the developer to be project-ready before obtaining Board approval.

Reasoned Response 1:

The timetable for submission of applications or application cycles is not included in the State of Texas Consolidated Plan: One Year Action Plan (OYAP). TDHCA receives HOME Program funds from HUD at varying times each year, which would make it difficult to provide accurate timetables in the OYAP. Generally, TDHCA develops Notices of Funding Availability (NOFAs), which are approved by the Board, as funding becomes available for programming. For several years TDHCA has made funding available in NOFAs on a first-come, first-served basis with a long open application cycle to provide flexibility in accessing funds. Staff believes existing processes are no longer a conflict with the 514/516 funding cycle.

Comment 2:

> Commenter wants TDHCA funding to be more flexible in order to make it easier for developers to attract USDA funding for farmworker housing. In some cases grants are required, predevelopment funding is often lacking and early commitments are essential.

Reasoned Response 2:

Under the current HOME Program Rule, a portion of Department funds for rental development can be awarded in the form of a deferred forgivable loan under certain circumstances and several USDA developments have taken advantage of funds using this provision of the Rule. Additionally, interest rates as low as 0% are available with loan terms as long as 40 years and all HOME funds are 0% interest during construction to reduce interest carrying costs.

Comment 3:

> Two people advocated for the creation of conditional commitments. One commenter recommended the creation of a new program within HOME to allow for conditional commitments – similar to programs found in California, Florida and Washington – to attract federal USDA funding for farm worker housing.
>
> Another commenter recommended adding language specific to conditional commitments to page 36 and page 39 of the 2011 Plan:
>
> "…A standard underwriting review will be performed on applications under this activity. However, TDHCA staff will be allowed to determine financial feasibility without firm commitments from other sources. Conditional commitments of HOME funds can be issued as long as other sources have been identified and will be available to the project in a reasonable amount of time."

Reasoned Response 3:

The current HOME Program Rule requires bona fide financing commitments be submitted with an application for HOME funds, therefore suggested wording about conditional commitments in the Plan will not be incorporated. However, TDHCA will take the recommendations under advisement and direct staff to investigate ways to improve an applicant's ability to layer HOME funds with USDA funding during the next annual rule making cycle.

Comment 4:

> Commenter suggests changing the "migrant farmworker" special needs category to "seasonal and migrant farmworkers" to make the category more inclusive and consistent with the 2003 State of Texas Analysis of Impediments to Fair Housing Choice.

Reasoned Response 4:

The term "migrant farmworker" was included in the 2010 One-Year Action Plan under the definition of "Special Needs Populations." This definition remains in the current HOME Program Rule but was removed from the 2011 Draft OYAP to eliminate duplication. However, TDHCA will take the recommendations under advisement and direct staff to consider this change during the next annual rule making cycle.

Comment 5:

> Commenter suggests conducting "aggressive outreach" to the farmworker population in order to make sure farmworkers are aware of the services available to them.

Reasoned Response 5:

TDHCA relies on local partners and subrecipients to identify and address local needs and provide outreach within the communities they are serving. Staff provides extensive technical assistance to organizations and units of local government applying for or administering funds including on-site technical assistance visits to review and provide guidance with respect to program requirements. The Rural Housing Workgroup looks at ways that TDHCA, considering budget and staffing constraints, can address rural outreach, including farmworker populations.

Comment 6:

> The data from the 2005 to 2008 Annual Progress Reports indicates only 11 farmworkers in total were served. Commenter suspects this is an understatement of the actual number of farmworkers served. Commenter advocates better reporting to more accurately reflect the number of farmworkers assisted.

Reasoned Response 6:

TDHCA concurs that the data available on farmworkers served is most likely not representative of the actual numbers. TDHCA has recently made a number of improvements in the Housing Contract System from which this information is collected from subrecipients. Changes include making the special needs fields, which includes farmworker designation, a required field for submission of household information. TDHCA will also look into ways that special needs households could be reported in rental units. TDHCA relies on the quality of information entered by program subrecipients and will continue to work to improve the quality of reported data.

Comment 7:

> Commenter would like a TDHCA staff person assigned to provide assistance to organizations providing, or attempting to provide, farmworker housing and other rural housing options. The staff person would need to understand the farmworker population and range of housing requirements, including temporary residency and permanent housing options such as rental and ownership. This staff person would address the lack of capacity in rural areas.

Reasoned Response 7:

TDHCA had intended to create a rural ombudsman position. However, based on recent budget and staffing constraints, the position has not yet been created. TDHCA remains committed to addressing rural housing issues.

Comment 8:

> Commenter points out the problem of households that owe $2,000 to $3,000 worth of back taxes, which is too small an amount for the IRS to create a payment plan with the household, and which disqualifies the household from receiving HOME homeowner rehabilitation assistance. Commenter would like a way to help these households with HOME funds.

Reasoned Response 8:

For the HOME Program, the requirement to be current on property taxes for the assisted housing unit or alternatively be current on a tax payment plan is a requirement for meeting the federal definition of homeownership. Households that do not meet this requirement are not eligible under the federal rules to receive funds for rehabilitation or reconstruction. Under all TDHCA programs, payment of delinquent property taxes is an ineligible expense.

Comment 9:

Commenter would like HOME to shorten the time between the release of the Notice of Funding Availability (NOFA) and the collapsing of funds from the regional allocation to one state-wide allocation. Because of the waiting period before collapsing the regional funding categories, contracts from the previous NOFA cycle have not yet been executed when the current NOFA is available, so eligible entities can not apply for funds in the current NOFA cycle.

Reasoned Response 9:

The Colonia Model Subdivision NOFA under which the Commenter's application was awarded included statutory requirements that are no longer applicable. Under the more recently approved HOME Single Family Development Program NOFA, which provides funds for the same activity, the two collapse periods have been reduced to one statewide collapse. Additionally, while the current NOFA expires in December, the TDHCA currently plans to make funds available for Single Family Development in 2011.

## Summary of Public Comments for CDBG (TDRA)

From: Texas Council for Developmental Disabilities

Re: 2011 DRAFT State of Texas Consolidated One-Year Action Plan

Thank you for allowing the Texas Council for Developmental Disabilities (TCDD) to provide comments on the 2011 DRAFT State of Texas Consolidated One-Year Action Plan.

TCDD is established by federal law in the Developmental Disabilities Assistance and Bill of Rights Act and consists of a 27 member board, appointed by the Governor, 60% of who are individuals with developmental disabilities or family members of individuals with disabilities. Other council members represent various state agencies that provide services to people with significant disabilities. The Council's purpose in law is to encourage policy change so that people with disabilities have opportunities to be fully included in their communities and exercise control over their own lives.

**Plan Does Not State Current and Future Housing Needs**

The 2011 One-Year Action Plan (the Plan) states that the intended uses of funds received by the named agencies from the U.S. Department of Housing and Urban Development (HUD) for Plan Year (PY) 2011 are: accessibility, affordability, and sustainability in living environment, decent housing and economic opportunity. HUD requires that the Plan identify the housing needs of different groups, including people with disabilities, and specify how funds will be used to meet those needs given current and near future housing conditions.

The Plan contains an excellent summary of the state housing programs funded by HUD but it does not adequately describe the "current and future housing needs" in Texas. According to HUD the Plan is required "to submit statistical and analytical information that provides an overall picture of the housing, homeless, and community development needs of the state. This data must have specification of such needs for different categories of persons, including elderly persons, single persons, large families, persons with HIV/AIDS and their families, persons with disabilities; victims of domestic violence, and a description of housing needs in terms of the number of extremely low-income, low-income, moderate-income, and middle-income renters and owners experiencing specific housing problems, including cost-burden, severe cost-burden, substandard housing, and overcrowding (especially large families) compared to the jurisdiction as a whole." The Plan a state there is a lack of sufficient funding and organizational capacity to meet underserved housing needs but does not include data on the underserved need or a plan of action to address organizational capacity. The Plan states that Community Development Block Grant (CDBG) funding helps cities and counties study affordable housing conditions and indicates that "CDBG will be made available for planning." However, there is no report in the plan that CDBG funds were used to study affordable housing conditions.

Affordable, accessible, and appropriate housing is critical and integral to making a community more livable for people with disabilities, but in Texas people with disabilities are disproportionately represented in our homeless, institutional, and unlicensed group home population. Texas lacks a sufficient stock of deeply affordable and/or accessible housing located within access of services or transportation to meet the needs of individuals living on a fixed income.

1. Recommendation: Data on the need for affordable housing in Texas including: waiting lists for TDHCA Section 8 Housing Choice Voucher, Tenant Based Rental Assistance programs, and Project Access vouchers, as well as waiting lists for DSHS Housing Opportunities for People with Aids program and the TDRA CDBG funded studies of housing problems, if they exist, must be included in the plan to demonstrate cost burden and disproportionate.

**Reasoned Response:** The CDBG program does provide funding to study affordable housing conditions. For decades the program has funded extensive and detailed planning studies of non-entitlement cities. These studies document for the benefit of the city the current state of affordable housing and provide recommendations to the city for improving affordable housing. For example, in Program Year 2010, the CDBG program funded 27 planning studies across Texas. In Program Years 2009 and 2008, a total of 47 studies were funded. The studies consist of extensive maps, data, and recommendations. At the conclusion of the study, the jurisdiction presents the results and recommendations at a public hearing that is announced in the newspaper. In addition, TDRA receives a complete copy of each funded study that is available for public review and use.

**CDBG: Housing Is Not Given Appropriate Priority by State Plan**

The primary objective of HUD community development programs is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. In Texas we spend the overwhelming majority of CDBG funds on water and sewer improvements, streets, and assistance to private business. Housing development receives the smallest percentage of CDBG funds.

In June 2010, HUD reported that Texas spent just 3.6% of its state-allocated CBDG funds on housing activities from February 1, 2009 to January 31, 2010. Nationally, an average 25% of CDBG funds are spent on housing. According to the National Council on Disability, the percentage spent on housing nationally in a state allocation is smaller, around 16 to 17 percent for housing. Both figures are substantially greater than the reported 3.6% of Texas CDBG spent on housing.

Texas spent the vast majority of its CDBG funds (78%) on “Public Improvements,” primarily water/sewer systems and roadwork. A larger share of CDBG funds also went to Financial Assistance to For-Profit Businesses (7.8%, or $6 million).

Texas CDBG 2009 Compared to National

| Category | Texas | National |
|---|---|---|
| Water/Sewer Improvements | 58.8% | 10.0% |
| Street Improvements | 12.1% | 6.2% |
| Financial Assistance to For-Profit Businesses | 7.9% | 3.4% |
| Administrative And Planning | 7.6% | 15.0% |
| Housing | 3.6% | 25.4% |

Based on HUD data for the past 8 years, about half of the housing funding nationally has gone directly to single-family rehabilitation. This can include retrofitting for accessibility, since this is an eligible use of funds. CDBG can be used for housing services, housing rehabilitation and reconstruction, and new housing when it is built by a Community Based Development Organization (CBDO) to carry out a “neighborhood revitalization” or “community economic development.” CDBG funds can also support development of new housing. CDBG can be used to assist low income individuals to purchase existing housing.

Texas State CDBG goes to non-entitlement communities of less than 50,000. The HUD commitment to CDBG is to create sustainable rural communities which it defines as “places that offer everyone a decent home they can afford, in a community in which they want to live and work, now and in the future.” That is difficult for rural America, but addressing this challenge is especially important for the largely rural Texas.

Persons with disabilities in rural areas, like their urban counterparts, have a wide range of housing needs. Persons with physical disabilities need accessibility features to facilitate independent living. Persons with mental illness or persons requiring regular treatment/therapy for their condition need housing within access to services. Frail elderly persons may require modifications to their existing homes. The most pressing housing need for people with disabilities is affordability.

The Plan states Texas Department of Rural Affairs encourages each region to set aside a percentage of their CDBG funds for housing improvement projects. The HUD percentages detailed above is evidence that this approach is not working. The State CDBG must include actions to increase the use of CDBG funds for housing in this 2011 Consolidated Plan and the 5 year Consolidated Plan.

2. Recommendation TDRA should require that grantees increase the allocation of state CDBG funds used for housing until they reached a level comparable to the national average.

**Reasoned Response**: The CDBG program is following its citizen participation plan to establish the method of distribution for funding for eligible uses. The program's plan includes numerous public hearing held at several stages of the Action Plan development process. An initial set of public hearings is held on the draft Action Plan across the state of Texas. Further, public comment is taken at the TDRA Board meetings. This is followed by another series of public hearings to receive input the distribution of funding. The CDBG portion of the Consolidated Plan covering the method of distribution discusses the process of using both a Regional Review Committee and state scoring for the largest portion of community development funding. The Regional Review Committee process provides for the additional involvement of the public in determining local needs and establishing funding priorities. Each Regional Review Committee is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects. Under this recommended set-aside, the highest ranked applications for a housing activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing set-aside level. Further, for Program Year 2011, the program included a new scoring factor that clarifies that under the state scoring for the Community Development Fund, a housing activity has equal scoring weight with infrastructure projects. In addition, as part of the application development process, the CDBG program requires a public hearing to determine local needs and the local project priorities. Overall, the CDBG program's method of distribution of annual funding has reflected the local citizen participation process in determining local needs and priorities and has followed the state's Citizen Participation Plan.

**Planning and Capacity Building Does Not Include Housing**

A portion of the CDBG fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). The Plan states all planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans. There is not a mention of, much less a requirement that planning projects address, the need for affordable housing. Again, this seems contrary to the intent of CDBG funds.

3. Recommendation: TDRA must require that entities using the Planning and Capacity Building Fund include a section that addresses low-income housing needs in their planning documents.

**Reasoned Response**: The CDBG program does provide funding to study affordable housing conditions. For decades the program has funded extensive and detailed planning studies of non-entitlement cities. These studies include documentation for the benefit of the city the current state of affordable housing and provide recommendations to the city for improving affordable housing. For example, in Program Year 2010, the CDBG program funded 27 planning studies across Texas. In Program Years 2009 and 2008 a total of 47 studies were funded. The jurisdiction is required to hold a public hearing prior to the planning study to take input on affordable housing and other topics. The studies consist of extensive maps, data, and recommendations. At the conclusion of the study, the jurisdiction presents the results and recommendations at a public hearing that is announced in the newspaper. The CDBG program requires full opportunity for citizen participation in the planning process and topics to be analyzed in the planning study. In addition, TDRA receives a complete copy of each funded study that is available for public review and use.

For Program Year 2011, the CDBG program will require local officials to participate through meetings in preparing and reviewing planning documents for a minimum of one hour. Overall, the extent of information presented is extensive and covers affordable housing. The program encourages additional citizen participation in the planning process to improve the content of the CDBG-funded planning studies.

> In conclusion, TCDD appreciates the agencies involved in addressing housing needs for low-income Texans with developmental disabilities and has provided these comments to help strengthen the state's efforts to provided affordable, accessible, and appropriate housing critical and integral to making a community more livable for all Texans, including Texans with disabilities.
>
> Belinda Carlton
> Public Policy Specialist
> Texas Council for Developmental Disabilities

# MANAGING THE PROCESS

## LEAD AGENCY

The Texas Department Housing and Community Affairs is the lead agency for the Plan.

## AGENCY PARTICIPATION

Before preparing the Plan, the Texas Department of Housing and Community Affairs, the Texas Department of Rural Affairs, and the Texas Department of State Health Services meet with various organizations concerning the prioritization and allocation of the Departments' resources. Because this is a working document, all forms of public input are taken into account in its preparation.

Collaborative efforts between TDHCA and numerous organizations resulted in a participatory approach towards defining strategies to meet the diverse affordable housing needs of Texans. TDHCA acknowledges the assistance provided by several public and private organizations to assist the Department in working towards reaching its mission, goals, and objectives, which relate directly to the formation of the Consolidated Plan. Contributions were made in various forms, from direct contact at conferences and remotely to availability of research materials on the Internet, from public and private organizations.

The Texas Department of Rural Affairs has had a good working relationship with HUD, state program committees, state agencies, federal funding partners, local communities, Councils of Governments (COGs), public and private sector, and others involved in the CDBG program. Through public hearings, application workshops, technical assistance visits, monitoring visits, interagency work groups, and general communications, TDRA has worked to keep the public aware of program modifications and changes.

The Texas Department of Agriculture administers the Texas Capital Fund under a memorandum of understanding. The agency coordinates activities including the public hearings on the Action Plan, a project Implementation Manual that contains the Texas Capital Fund, and presentations to the TDRA Board.

TDRA also works with a variety of other programs through several interagency workgroups. Workgroups focusing on state and federal funding coordination state-wide and in the colonias include the Texas Water Development Board (TWDB), the Secretary of State's Office, the U.S. Department of Agriculture's Rural Development division, the North American Development Bank & Border Environment Cooperation Commission, the Comptroller's Office, the Attorney General's Office, the Texas Commission on Environmental Quality (TCEQ), the U.S. Army Corps of Engineers, and TDHCA. Further, the division and TCEQ is currently working on a process in which TCEQ field representatives help verify new service to Texas CDBG Program project beneficiaries when first-time water or sewer is funded.

The Texas Department of State Health Services contracts with eight administrative agencies across the state to provide administrative support in implementing the state's HOPWA formula program. One of the Administrative Agencies' responsibilities is to work with HIV Planning councils in the major metropolitan areas of the state and with other organizations and stakeholders outside the major metropolitan areas to develop comprehensive HIV Services plans and needs assessments. In both the major metropolitan and other areas of the state, HIV Services Plans and needs assessments are developed through consultation with clients and other stakeholders through interviews, focus groups, and public hearings. Administrative Agencies must communicate with stakeholders through dissemination of written copies of services plans, posting of the plans on the Internet, town hall meetings, and advisory groups. Administrative Agencies are also required to evaluate the effectiveness of the services plans in meeting the plans' stated goals and identified needs and to periodically assess the need for reallocation of resources to assure the efficient and appropriate expenditure of funds.

### ENHANCE COORDINATION

Understanding that no single entity will be able to address the enormous needs of the state of Texas, TDHCA, TDRA and DSHS support the formation of partnerships in the provision of housing, housing-related and community development endeavors. The Departments work with many housing and community development partners including consumer groups, community-based organizations, neighborhood associations, community development corporations, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials and other state and federal agencies.

TDHCA has staff committed to several external state advisory workgroups and statutory commissions. Many of these commissions have members from the public and private sectors. These external groups include, but are not limited to:

| *Workgroup/Commission* | *Lead agency* |
|---|---|
| Aging Texas Well Advisory Committee (ATWAC) | Department of Aging and Disability Services |
| Community Resource Coordination Groups (CRCG) | Health and Human Services Commission |
| Faith and Community Based Initiative | One Star Foundation |
| Governor's Commission for Women | Governor's Office |
| Mental Health Planning Advisory Commission (MHPAC) | Department of State Health Services |
| Money Follows the Person Demonstration Project (MFTP) | Department of Aging and Disability Services |
| Promoting Independence Advisory Committee (PIAC) | Department of Aging and Disability Services |
| Reentry Task Force | Department of Criminal Justice |
| Interagency Coordinating Commission for Building Healthy Family (ICC) | Department of Family and Protective Services |
| Transformation Workgroup (TWG) | Department of State Health Services |

In addition to the external workgroups and commisions, TDHCA is the lead agency for four groups: the Disability Advisory Workgroup (DAW), Rural Housing Workgroup (RHW), Texas Interagency Council on the Homeless (TICH), and the Housing and Health Services Coordination Council (HHSCC).

TDHCA has actively maintained a Disability Advisory Workgroup which provides ongoing guidance to the Executive Director on how TDHCA's programs can most effectively serve persons with disabilities. TDHCA has found that directly involving program beneficiary representatives, community advocates and potential applicants for funding in the process of crafting its policies and rules is extremely helpful. This process is often done through a working group format. The working groups provide an opportunity for staff to interact with various program stakeholders in a more informal environment than that provided by the formal public comment process.

Similarly, the Rural Housing Workgroup provides a forum for feedback to the Texas Department of Housing and Community Affairs (TDHCA) management and staff as they develop policies and rules for the federal and state programs administered by TDHCA. TDHCA programs serve urban and rural areas of the state. However, providing services and housing in rural areas presents unique challenges and opportunities. In order to address those challenges and make sure that rural input and concerns are adequately considered across all aspects of TDHCA's program development, design and implementation, TDHCA established the Rural Housing Workgroup in 2010. The Rural Housing Workgroup includes representatives from a spectrum of rural housing interests. The group includes for- and non-profit rural housing providers, rural policy advocates, and affordable housing membership organizations.

The Texas Interagency Council for the Homeless (TICH) was created in 1989 to coordinate the State's homeless resources and services. TICH consists of representatives from all state agencies that serve the homeless. The council receives no funding and has no full-time staff, but receives clerical and advisory support from TDHCA. The council holds public hearings in various parts of the state to gather information useful to its members in administering programs.

The 81st Legislature created the Housing and Health Services Coordination Council (Council) through SB 1878. The Council's purpose is to increase the amount of service-enriched housing for seniors and people with disabilities; improve interagency understanding of housing and services and increase the number of staff in state housing and state health services agencies that are conversant in both housing and health care policies; and offer a continuum of home and community-based services that is affordable to the state and the target population. The Council includes 16 members including the Executive Director of TDHCA, eight members appointed by the Governor, and seven members appointed by State Agencies. TDHCA provides clerical and advisory support. The first report of the Council was submitted to the Governor and the Legislative Budget Board on September 1, 2010 and is available to the public on the TDHCA website at www.tdhca.state.tx.us.

# AVAILABLE RESOURCES

§91.320(c)

The Plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with §91.315. Descriptions of the funding amounts for the specific HUD programs covered by this Plan are provided in each program's Action Plan section. The Plan must also describe resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The Plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. A description of the match requirements of the HUD programs covered by this Plan are provided in each program's Action Plan section.

## HOME ADDRESSES AVAILABLE RESOURCES

For the HOME Program, Section 2306.111(d) of the Texas Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions TDHCA uses for planning purposes. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources. Regional funding adjustments are made based on the results of this comparison. The following available resources were determined to have been available or distributed in FY 2010 in the areas eligible for TDHCA HOME funds.

| Source | Funding Level* |
|---|---|
| Texas Housing Trust Fund | $3,234,693 |
| Housing Opportunities for Persons with HIV/AIDS | $605,200 |
| HUD PHA Capital Funds | $36,680,590 |
| HUD Housing Choice Vouchers (Sec. 8) | $134,241,243 |
| USDA Multifamily Development | $11,578,985 |
| USDA Rental Assistance | $31,783,102 |
| Housing Tax Credits | $198,542,440 |
| TXBRB Multifamily Tax Exempt Bond | $10,230,000 |
| Housing Tax Credits w/ MF Tax Exempt Bond | $8,269,640 |
| USDA Owner Occupied | $28,870,179 |
| TXBRB Single Family Bond | $54,341,886 |
| HUD HOME Investment Partnerships Program | $63,826,792 |
| Total | $582,204,750 |

*2009 figures. Updated 2010 dollar amounts will be included in the final version of the Plan.

TDHCA expects similar funding levels for FY 2011 to serve priority needs in the state of Texas. The private funds available for priority needs may include loans or grant programs through private banks, for-profit or nonprofit organizations; this source of funding varies from year to year.

## ESGP ADDRESSES AVAILABLE RESOURCES

ESGP available resources are in the *Homeless and Other Special Needs Categories* section below, starting on page 20.

### CDBG Addresses Available Resources

The following resources are expected to be available from the non-federal public sources. First, the state of Texas has appropriated general fund revenue in the amount of $3,000,000 to supplement the Texas CDBG program. This appropriation recognized the considerable excess in demand for crucial facilities in excess of available Federal funds. In addition, the grant recipients provide for cost sharing on the funded projects. For Program Year 2009, the grant recipients provided additional financial resources in the amount of $31,945,034. For economic development projects, the owners contribute equity funds into the CDBG-funded projects.

### HOPWA Addresses Available Resources

Leveraged funds are absolutely essential for the provision of HOPWA program administration and supportive services for HOPWA clients in the state of Texas. DSHS, AAs, and Project Sponsors expect to continue to receive leveraged funds from federal, state, local, and private resources to administer the HOPWA program and to achieve established program objectives for 2011. Based on leveraged funds received in 2009, DSHS estimates $370,000 in direct housing assistance, $1,500,000 in supportive services and non-direct housing assistance. DSHS also estimates total administrative costs leveraged with AAs to be around $400,000 in 2011.

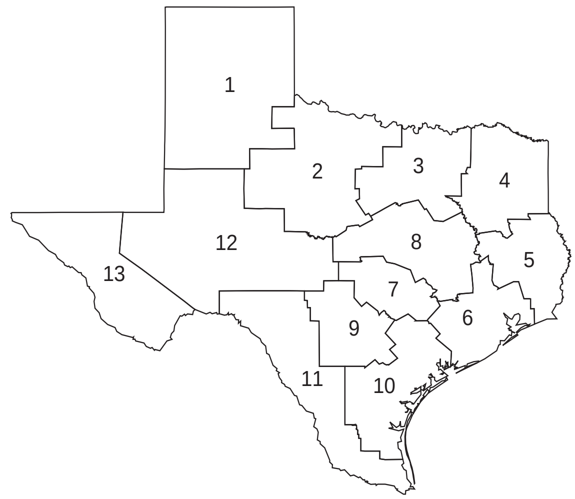
### Other Programs

TDHCA is required by State law to publish a Program Guide that outlines state and federal housing and housing-related programs available in Texas. The guide describes all TDHCA programs and includes housing-related programs from other state and federal agencies. This detailed document is organized by activity area and then by administering entity. For each specific program, contact information at the appropriate agency is provided. The 160-plus page document is updated annually and is currently available on line at http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm or in hard copy upon request.

# GEOGRAPHIC AREAS OF JURISDICTION AND ALLOCATION

§91.320(f)

## HOME PROGRAM GEOGRAPHIC PRIORITIES




TDHCA uses a Regional Allocation Formula (RAF) to distribute its HOME Investment Partnerships Program (HOME). The 13 regions used under the RAF are shown in the figure to the right, State Service Regions. The RAF also determines how funding is allocated to rural and urban areas within each region. The RAF's funding distributions are based on objective measures of each region's affordable housing need and available resources to address this need. The RAF is legislatively required by Section 2306.111(d) of the Government Code.

The first step in the RAF is to determine how the program funding would be distributed based solely on measures of regional need provided by US Census data. With the exception of the poverty numbers, the most relevant Census data is for households at or below 80 percent of the Area Median Family Income (AMFI). The following factors are used in the RAF to measure affordable housing need:

- **Poverty**: Number of persons in the region who live in poverty.
- **Extreme Cost Burden**: Units with a monthly gross rent to monthly household income ratio that exceeds 30 percent.
- **Overcrowded Units**: Units with more than one person per room.
- **Units with Incomplete Kitchen or Plumbing**: Units that do not have all of the following: a sink with piped water; a range or cook top and oven; refrigerator, hot and cold piped water, a flush toilet and a bathtub or shower.

1) Census need data is adjusted to current year levels by applying a growth factor based on the growth experienced since 2000.
2) Each factor is assigned a weight based on its perceived value as a measure of affordable housing need (poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent and substandard housing = 2 percent). In general, the weights reflect the relative number of persons or households affected by the housing problem.
3) Each measure's weight is multiplied by total amount of funding available under the RAF to determine the measure's funding amount.
4) For each measure, the region's number of affected persons or households is divided by the state total to determine the percentage of the state's need that is present in the region.
5) Each region's percentage of state need is multiplied by the measure's funding amount.
6) Finally, the funding distributed by the measures is summed for each region to determine the region's total allocation. The resulting regional funding distribution provides an overall measure of each region's affordable housing need.

### *Consideration of Available Housing Resources*

In addition to TDHCA, there are many other funding sources that address affordable housing need. To address any inherent regional funding inequities, the RAF analyzes the regional distribution of state and federal sources that provide housing assistance to households that are similar to those served by the program.

### *Other Considerations in Developing the Formula*

The allocation formula was developed under the premise that it would not serve as a static measure of need. Rather, the formula should be updated to reflect the availability of more accurate demographic information and the need to assess and modify the formula based on its actual performance. Specifically the following issues were considered:

- As information from other data sources becomes available, the formula should be revised to reflect this more recent data. The poverty statistics will be updated on an ongoing basis as they become available.
- As additional components of housing assistance may become relevant to the formula, the formula will continue to be open for public comment through the Department's public hearings.
- The affected programs have specific federal and state legislative requirements that govern how the funding may be distributed. In some instances, these rules may require that specific portions of funding shall be excluded from the allocation formula. It was also determined that dividing relatively small amounts of funding which are dedicated for specific uses on a regional basis would result in allocation amounts so small as to preclude their effective use by an applicant. Such issues will be carefully documented in each program's operating rules.

The 2011 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Development Program,
- Single Family Activity Program.

The table below shows the regional funding distribution for all of the activities distributed under the RAF. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2010 Targeted Distribution of Funds under the RAF*

| Region | Place for Geographical Reference | Regional Funding Amount | Regional Funding % | Rural Funding Amount | Rural Funding % | Urban Funding Amount | Urban Funding % |
|---|---|---|---|---|---|---|---|
| 1 | Lubbock | $1,720,257 | 4.6% | $1,719,823 | 100.0% | $434 | 0.0% |
| 2 | Abilene | $1,081,834 | 2.9% | $1,054,137 | 97.4% | $27,697 | 2.6% |
| 3 | Dallas/Fort Worth | $7,535,817 | 20.0% | $2,500,475 | 33.2% | $5,035,342 | 66.8% |
| 4 | Tyler | $3,714,016 | 9.8% | $2,889,040 | 77.8% | $824,976 | 22.2% |
| 5 | Beaumont | $1,996,997 | 5.3% | $1,776,185 | 88.9% | $220,812 | 11.1% |
| 6 | Houston | $3,427,061 | 9.1% | $1,162,092 | 33.9% | $2,264,969 | 66.1% |
| 7 | Austin/Round Rock | $2,482,338 | 6.6% | $1,116,180 | 45.0% | $1,366,157 | 55.0% |
| 8 | Waco | $1,448,525 | 3.8% | $706,773 | 48.8% | $741,752 | 51.2% |
| 9 | San Antonio | $1,929,426 | 5.1% | $1,238,269 | 64.2% | $691,157 | 35.8% |
| 10 | Corpus Christi | $2,286,072 | 6.1% | $1,501,480 | 65.7% | $784,592 | 34.3% |
| 11 | Brownsville/Harlingen | $7,450,756 | 19.7% | $3,441,506 | 46.2% | $4,009,250 | 53.8% |
| 12 | San Angelo | $1,651,324 | 4.4% | $791,664 | 47.9% | $859,660 | 52.1% |
| 13 | El Paso | $1,003,375 | 2.7% | $752,565 | 75.0% | $250,811 | 25.0% |
| | Total | $37,727,798 | 100.0% | $20,650,188 | 54.7% | $17,077,610 | 45.3% |

*The 2011 RAF will be provided in the final version of this document.

## *2011 Targeted Distribution of Funds under the RAF*

TDHCA does not provide priorities for allocating investment geographically to areas of minority concentration as described in Section 91.320(d). However, the geographic distribution of HOME funds to minority populations is analyzed annually. TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the State of Texas Low Income Housing Plan and Annual Report. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

## ESGP Geographic Priorities

ESGP funds are reserved according to the percentage of poverty population identified in each of 13 TDHCA service regions (i.e., Region 1, with 3.95 percent of the State's poverty population, was awarded 3.95 percent of the available funds). The top scoring applications in each region are recommended for funding, based on the amount of funds available for that region.

## CDBG Geographic Priorities

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions through a formula based on the following factors:

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions based on the following:

The original CD formula is used to allocate 40 percent of the annual state CDBG allocation; and the HUD formula is used to allocate 21.71 percent of the annual state CDBG allocation.

Original CD formula (40%) factors:

| | | |
|---|---|---|
| a. | Non-Entitlement Population | 30% |
| b. | Number of Persons in Poverty | 25% |
| c. | Percentage of Poverty Persons | 25% |
| d. | Number of Unemployed Persons | 10% |
| e. | Percentage of Unemployed Persons | 10% |

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The population and poverty information used is from the current available decennial census data. The unemployment information used is the current available annual average information.

HUD formula (21.71%) - the formula is the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The TxCDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

(A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

The TxCDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the ORCA board, Task Forces, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Regional Priority Set-asides: Housing and Non-Border Colonia projects - Each Regional Review Committee (RRC) is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and, for RRCs in eligible areas, non-border colonia projects proposed in and for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

Overall, funds are allocated to the following priority categories:

| FUND | 2011 PERCENT |
|---|---|
| Community Development Fund | 61.71 |
| Texas Capital Fund (TCF) | 14.51 |
| Colonia Fund | |
| Colonia Planning and Construction Fund | 7.26 |
| Colonia EDAP Legislative Set-aside | 2.74 |
| Colonia Self-Help Centers Legislative Set-aside | 2.50 |
| Planning And Capacity Building Fund | 1.0 |
| Disaster Relief/Urgent Need Fund | |
| Disaster Relief | 4.10 |
| Urgent Need | Deob/PI |
| TxCDBG STEP Fund | 3.04 |
| Administration – Percentage (fungible) | Up to 3% |
| Administration - $100,000 | 0.1370 |
| Technical Assistance (fungible) | 3 less admin percent |
| Pilot Programs (Deobligated Funds/ Program Income): | |
| Renewable Energy Demonstration Pilot Program | Deob/PI |

Overall, this allocation methodology has resulted in approximately 86% to 97% of overall funding benefiting low and moderate income persons. It has resulted in funding the nonhousing priority needs described below while resulting in a very high percentage of awards primarily benefiting extremely low-income, low-income and moderate income households.

**Nonhousing Community Development**
**Priority Needs Summary Table**

| Priority Community Development Needs | **Priority Need Level** H=High, M=Medium, L=Low, N=No Such Need |
|---|---|
| PUBLIC FACILITY NEEDS | M |
| INFRASTRUCTURE IMPROVEMENT | H |
| Solid Waste Disposal Improvements | M |
| Drainage and Flood Control Improvements | H |
| Water System Improvements | H |
| Street and Bridge Improvements | H |
| Sewer System Improvements | H |
| PUBLIC SERVICE NEEDS | M |
| ECONOMIC DEVELOPMENT NEEDS | H |
| OTHER COMMUNITY DEVELOPMENT NEEDS | M |
| PLANNING | H |

The Priority Needs Summary Table uses the following definitions:

- High Priority (H): Activities to address this need will be funded by the State during the five-year period.
- Medium Priority (M): If funds are available, activities to address this need may be funded by the State during the five-year period.
- Low Priority (L): The State will not fund activities to address this need during the five-year period. The State will consider certifications of consistency for other entities' applications for federal assistance.
- No Such Need (N): The State finds there is no need or the State shows that this need is already substantially addressed. No certifications of consistency will be considered.[1]

The tables below illustrate the amount of community development application requests for the 2005 to 2009 CDBG program years. Requested amounts are included for water, sewer, engineering, street paving, administration, housing rehabilitation, drainage, removal of architectural barriers, acquisition demolition, community center, senior centers and fire protection. Under the Community Development Fund, each region through its Regional Review Committee, establishes its funding priority through scoring factors that reflect local prioritization of need. To be competitive, the applications submitted generally reflect the local needs as prioritized through the Regional Review Committee process and are therefore reflective of local needs. Each cycle, the Regional Review Committee has an opportunity to revise its local priorities to reflect any change in needs.

## REQUESTS FOR COMMUNITY DEVELOPMENT PROGRAM FUNDS FOR 2005-2009 BY ACTIVITY

| Activity | Amount Requested |
|---|---|
| Water Facilities | $229,969,144 |
| Sewer Facilities | $179,641,621 |
| Engineering/Architectural Serv. | $69,215,763 |
| General Administration | $44,548,476 |
| Street Improvements | $44,807,827 |
| Rehabilitation of Private Properties (sewer service) | $28,814,120 |
| Flood and Drainage Facilities | $19,472,416 |
| Rehabilitation of Private Properties | $7,261,474 |
| Planning & Urban Env. Design | $1,619,318 |
| Rehabilitation of Private Properties (water service) | $4,084,010 |
| Neighborhood Facilities / Community Centers | $4,634,209 |
| Acquisition - Easement | $2,531,743 |
| Fire Protection Facilities and Equipment | $2,993,850 |
| Clearance Demolition Activities | $1,980,785 |
| Parks, Playgrounds, and Other Recreational Facilities | $2,076,440 |
| TCF - Economic Development - For Profit | $1,199,500 |
| Activity Delivery | $1,066,530 |
| Economic Development Loan | $1,003,000 |
| Pedestrian Malls and Walkways | $390,000 |
| Senior Centers | $764,990 |
| Other Public Utilities (Gas) | $181,322 |
| Removal of Architectural Barriers | $301,650 |
| Main Street Program | $150,000 |
| Acquisition | $117,000 |
| Specially Authorized Public Facilities and Improvements | $90,956 |
| Code Enforcement | $19,200 |
| Total | $ 644,935,345 |

## HOPWA GEOGRAPHIC PRIORITIES

The funding allocations are geographically distributed across the state according to the HIV service delivery areas (HSDAs) and covers all 254 counties in Texas.

# HOMELESSNESS AND OTHER SPECIAL NEEDS CATEGORIES

§91.320(h)

## SOURCES OF FUNDS

Based on the 74 organizations funded in PY 2009 through the Emergency Shelter Grants Program (which name changed to Emergency Solutions Grant Program in PY 2011 as a result of the Homeless Emergency and Rapid Transition to Housing Act of 2009), it is estimated that 24 of the 74 organizations serve the chronically homeless. The Department estimates that 8,817 beds were available from the funded organizations for PY 2009. The Department is not aware of how many of the beds are utilized to shelter chronically homeless individuals. Nine of these organizations that serve the chronically homeless are Salvation Army organizations. These organizations are located across the State.

| Emergency Shelter | Existing Beds | Unmet Need |
|---|---|---|
| Family Beds | 4,523 | 2,795 |
| Individual Beds | 8,362 | 3,566 |
| Total | 12,885 | 6,361 |

| Transitional Housing | Existing Beds | Unmet Need |
|---|---|---|
| Family Beds | 4,139 | 3,855 |
| Individual Beds | 3,097 | 4,527 |
| Total | 7,236 | 8,382 |

| Permanent Supportive Housing | Existing Beds | Unmet Need |
|---|---|---|
| Family Beds | 2,821 | 4,274 |
| Individual Beds | 4,429 | 6,704 |
| Total | 7,070 | 10,978 |

## CHRONIC HOMELESSNESS

While the Department does not have a complete “inventory” of the supportive services offered by the ESGP funded organizations, the Department began to collect information on the number of persons provided with supportive services in FY 2006. The range of supportive services include: legal advocacy, education, employment, housing, counseling, psychological treatment and/or psychological counseling, substance abuse treatment, medical assistance, parenting and budgeting classes, housing advocacy, transportation assistance, English-as-a-Second Language classes, and clothing.

## HOMELESS PREVENTION

### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS ADDRESSES HOMELESSNESS

### *Homelessness Prevention and Rapid Re-Housing Program*

The Homelessness Prevention and Rapid Re-Housing (HPRP) Program provides homelessness prevention assistance to households who would otherwise become homeless and provides assistance to rapidly re-house persons who are homeless. Made available through the American Recovery and Reinvestment Act of 2009, the U.S. Department of Housing and Urban Development (HUD) will provide the State of Texas, through TDHCA funding for HPRP, a program which will last approximately three years.

Funds to awarded program administrators can be used for four activities. (1) Financial assistance is limited to short-term (up to 3 months) and medium-term (up to 18 months) rental assistance; security deposits; utility deposits and payments; moving cost assistance; and motel and hotel vouchers. (2) Housing relocation and stabilization services are limited to case management (e.g. arrangement, coordination, monitoring and delivery of services related to meeting housing needs); outreach and engagement; housing search and placement; legal services (e.g. legal advice and representation in administrative or court proceedings related to tenant/landlord matters or housing issues, excluding mortgage legal services); and credit repair. (3) Data collection and evaluation including the use of the Homeless Management Information Systems (HMIS); or the use of a comparable client-level database. (4) Administrative costs are the fourth activity that can be funded through HPRP. On July 30, 2009, the TDHCA Board authorized funding awards to 59 recipients totaling approximately $40 million.

Eligible applicants include units of general local government and private nonprofit organizations whose professional activities include the promotion of social welfare and the prevention or elimination of homelessness. Since the inception of the HPRP Program in September 2010, 58 sub-recipients have assisted 22,422 persons and 9,158 households. A total of $17,351,315 has been expended. Of the persons assisted, 18,708 have received homelessness prevention assistance and 3,816 have received homeless assistance.

### *Homeless Housing and Services Program*

Funded with state appropriated funds, the Homeless Housing and Services Program's (HHSP) purpose is assisting the eight largest urban areas in providing services to homeless individuals and families, including services such as case management, and housing placement and retention. In 2010, funding for this program was awarded by TDHCA through a competitive matching grant process whereby the eight largest cities sought additional funding for this purpose. The agency distributes these funds to the eight largest cities with populations larger than 285,500 persons per the latest U.S. Census figures. HHSP sub-recipients have assisted 344 persons and expended $5.7 million. It is anticipated that activity will increase significantly in the next few months.

### *Emergency Solutions Grants Program*

The Emergency Solutions Grants Program (ESGP) funds entities that provide shelter and related services for homeless persons. For purposes of this Plan, statewide information on homeless service providers has been collected from the ESGP applications that were submitted for funding in 2009. This is not a comprehensive listing of service providers. Because some local governments receive ESGP funding directly from the US Department of Housing and Urban Development, organizations that apply for these local ESGP funds are not included. For SFY2009 program year contracts end 8/31/2010. In SFY 2010, 61,589 persons will be assisted. The majority of those assisted are individuals that are housed in emergency shelters.

### TEXAS DEPARTMENT OF RURAL AFFAIRS ADDRESSES HOMELESSNESS

The Texas Department of Rural Affairs does not have a specific program directed at homelessness. It is a member of the Housing and Health Services Coordinating Council created by the Texas legislature. The Council is exploring the opportunity for service-enriched housing options as cost efficient housing alternatives for the homeless population.

### TEXAS DEPARTMENT OF STATE HEALTH SERVICES ADDRESSES SPECIAL NEEDS

The Texas Department of State Health Services' (DSHS) mission is to improve the health and well-being in Texas. To achieve its mission, DSHS is responsible for certifications, licenses and permits for certain health-related equipment, facilities, businesses and occupations; community mental health and family health resources; substance abuse recovery resources; vital records, such as birth, death, marriage and divorce records; and health-related data and reports.

#### Projects for Assistance in Transition from Homelessness (PATH)

The Department of State Health Services Community Mental Health and Substance Abuse Division receives funds through the federal government's Center for Mental Health Services. Funds are used for administration of homelessness prevention services and mental health crisis services. Funds are available to subdivisions of state of Texas, units of local government and non-profit entities.

The HOPWA program prevents homelessness by providing short-term rent, mortgage, and utilities assistance (STRMU) to eligible individuals living with HIV/AIDS in emergency situations.

# BARRIERS TO AFFORDABLE HOUSING

§91.320(i)

The State of Texas has given local jurisdictions a great amount of authority over their lands. As a result, many of the regulatory barriers to affordable housing found at the state level in other states do not exist in Texas. For instance, municipalities have zoning authority. Even though zoning may be a barrier to affordable housing depending on minimum lot size required, this is not a regulatory barrier imposed by the state. In fact, counties do not have zoning authority, eliminating the potential barrier completely in non-incorporated areas. The state also does not impose impact or development fees or deed restrictions on developments. Furthermore, TDHCA is not a regulatory agency for building codes with the exception of manufactured housing and projects that receive funding through TDHCA. Impact fees, deed restrictions and building codes may add to the cost of development, but these are not part of the State's regulations.

In contrast, TDHCA does have two regulatory barriers to affordable housing, as found below.

### *Environmental Regulations*

The Department works to enforce federal environmental regulations, such as the National Environmental Policy Act, Endangered Species Act, the National Pollutant Discharge Elimination System, and the Wetland regulations. In Texas, rules to protect the environment are promulgated by the Texas Commission on Environmental Quality (TCEQ). These include rules for the installation of septic systems and for development of the Edwards Aquifer. The restrictions associated with the regulations can add to the cost of development which, in turn, may raise the cost of the housing thereby decreasing affordability.

### *Public Opposition*

When a developer proposes an affordable housing development, regulations require that the developer notify local community groups and state and local officials. The required public notification process provides notice to persons who may oppose affordable housing.

## STRATEGY TO OVERCOME REGULATORY BARRIERS TO AFFORDABLE HOUSING

Local governments and officials more often have a greater awareness of their local economic, demographic and housing conditions. In order to meet the needs of residents in all parts of the second largest state in the nation, the State of Texas gives local governments a great deal of power over their own lands. Please note that, as a governmental entity, the Department cannot lobby or attempt to influence the policies related to the governing of the State of Texas. However, TDHCA can and does encourage localities to implement specific regulatory reforms related to affordable housing.

The State of Texas does not implement zoning, impose impact development fees or deed restrictions, or regulate building codes and so cannot directly affect these barriers. Nonetheless, TDHCA does act as an information resource to assist localities overcome unnecessary regulatory barriers which may increase the cost of housing. TDHCA accomplishes this as follows:

- Formation of a Housing and Health Coordination Services Council within TDHCA in 2009 to pursue opportunities to create and conduct policy research on service-enriched housing for persons with disabilities and seniors.

- Continuing education programs such as the Texas Statewide Homebuyer Education Program, which provides lenders, homebuyer educators and consumers information on serving traditionally underserved populations (e.g. persons with disabilities, lower income populations).
- Continuing research on defining and eliminating or reducing both state and local policy barriers.

TDHCA also mitigates the affects of its environmental and public notice regulatory barriers propagated by TDHCA. For example, TDHCA offers environmental compliance training free of charge for organizations that receive funding through TDHCA. These trainings are conducted throughout the state. In this way, TDHCA helps local communities comply with environmental rules.

To overcome the public opposition roused by public notice of affordable housing developments, TDHCA acts as an information resource for affordable housing studies and information. The Department has funds available for research studies from qualified professionals to determine the effect of affordable housing developments on property values, social conditions and quality of life in surrounding neighborhoods. The public often has misconceptions on which populations actually need affordable housing. For example, neighbors such as teachers, police officers, firefighters and nurses aids often spend more than 30 percent of their income on housing needs, creating a cost burden.[2] Affordable housing can allow productive members of the community to live in the same neighborhoods they serve.

The public may also fear that affordable housing increases traffic, increases crime and lowers property values. In actuality, allowing people who serve the community to afford to live in the same community reduces traffic by reducing the distance between where people live and where they work. Furthermore, studies have not proven a link between affordable housing and crime; factors that negatively affect crime include community disinvestment, overcrowding, and lack of jobs and community services. In fact, affordable housing helps address several of these factors by allowing for community investment and alleviating overcrowding.

Regarding property values, studies have proven that affordable housing can actually improve property values.[3] By educating the public on the realities of affordable housing, TDHCA believes it can overcome public opposition.

[2] The Campaign for Affordable Housing. (2005). The truth about affordable housing. Retrieved from http://www.tcah.org/research.cfm.
[3] The Campaign for Affordable Housing. (2005) Busting the 5 myths of affordable housing. Retrieved from http://www.tcah.org/research.cfm.

# MONITORING

§92.330

## HOME AND ESGP MONITORING

TDHCA has established oversight and monitoring procedures within the TDHCA HOME, Compliance and Asset Oversight (CAO) and Community Affairs divisions to ensure that activities are completed and funds are expended in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes. TDHCA's monitoring efforts are guided by both its responsibilities under the HOME and ESGP and its affordable housing goals for the State of Texas. These monitoring efforts include the following:

- Identifying and tracking program and project results
- Identifying technical assistance needs of subrecipients
- Ensuring timely expenditure of funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals
- Ensuring quality workmanship in funded projects
- Long-term compliance
- Risk management
- Sanctions

### *Identifying and Tracking Program and Project Results*

HOME contract and project activities are tracked through the TDHCA Contract System, including funds committed, pending projects, funds drawn, activities and contracts completed, and funds disbursed through the internet-based system, HUD's IDIS, and other reports generated as needed. The Contract System provides information necessary to track the success of the program and identify process improvements and administrator training needs. IDIS tracks HOME Program data such as commitment and disbursement activities, the number of units developed, the number of households assisted, the ongoing expenditures of HOME funds, and beneficiary information.

Other resources utilized by TDHCA to track project results include a performance team, to provide oversight and monitor contract progress, and an asset management division and loan servicing division. If either of these areas identifies problems, steps are taken to resolve the issue, including project workouts and oversight of reserve accounts. Real Estate Analysis, the division for underwriting economic feasibility pre-award, is also responsible for identification of high risk housing developments, and is responsible for review of housing sponsored annual financial statements and other asset management functions during the affordability period. Finally, the establishment of a Physical Inspections section in the Compliance Division assists with maintaining quality and integrity during project construction.

ESGP project and contract activities are tracked through TDHCA's website, which maintains an Oracle-based reports system. This system maintains funds drawn, funds expended, performance data, and other reports as needed. ESGP data such as commitment and disbursement activities, number of persons assisted, ongoing expenditures, and program activities are also tracked through HUD's IDIS.

### Identifying Technical Assistance Needs Subrecipients

Identification of technical assistance needs for HOME and ESGP subrecipients is performed through analysis of administrator management practices, analysis of sources used by TDHCA to track technical assistance such as information captured in the HOME Division Database and Contract System, review of documentation submitted, desk reviews based on State and Federal requirements results of on-site audits, technical assistance visits, phone calls, e-mail and monitoring visits.

### Ensuring Timely Expenditure of Funds

TDHCA ensures adequate progress is made toward committing and expending HOME and ESGP funds. Regular review of internal reports and data from IDIS is performed to assess progress of fund commitment and to ensure that all funds are committed by the expiration date of 24 months from the last day of the month in which HUD and TDHCA enter into an Agreement. HUD Performance deadlines for spending and reporting matching funds are reviewed on a monthly basis to track expenditure totals. To enure the timely reprogramming of funds, HOME set-aside requirements are also tracked as a part of the HOME Fund Balance Report, which reports the Division's status of HOME funds including program income and deobligated funds. Additionally, The Department includes performance benchmarks in the Department's State HOME Rule and as part of its written agreements with subrecipients. Through pilot programs, TDHCA is implementing reservation systems for most HOME Program activities in order to be more responsive to local needs and provide more timely access to HOME funds based on readiness-to-proceed.

### Documenting Compliance with Program Rules

Compliance with program rules is documented through contract administration and other formal monitoring processes. Staff document compliance issues as part of their ongoing contract management reviews and notify administrators of any noncompliance and required corrective action. On-site reviews, including physical onsite project site inspections of a representative sample of project sites, on-site reviews of client files, shelters, and the delivery of services are conducted with summarized reports identifying necessary corrective actions.

TDHCA has developed a set of standards for HOME administrators to follow to ensure that subcontractors and lower-tiered organizations entering into contractual agreements with administrators perform activities in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes.

TDHCA maintains a database to document an administrator's compliance history with rental housing developments. During the application process the previous participation of the applicant is evaluated. If there are any minor uncorrected issues of noncompliance identified, the request for funding will be denied unless those issues are corrected. If material noncompliance is identified, the application is terminated. The compliance history is considered by TDHCA's Board prior to finalizing awards and evaluated again prior to execution of written agreements.

### Preventing Fraud and Abuse

TDHCA monitors for mismanagement of funds in the HOME and ESGP during onsite visits through a review of supporting documentation provided by the administrator and through information gathered from outside sources. This is done throughout the contract period to ensure that funds are spent on eligible activities. If an administrator mismanages funds, sanctions are enforced and disallowed costs are refunded to TDHCA. Also, if fraud is suspected, TDHCA makes referrals and works closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

### *Identifying Innovative Tools and Techniques that Support Affordable Housing Goals*

Staff identifies innovative tools and techniques to support affordable housing goals by attending trainings and conferences, maintaining contact with other state affordable housing agencies, and through the HUD internet listserv and HUD website.

### *Ensuring Quality in Funded Projects*

Ensuring the administrator provides the committed product, amenities and compliance with accessibility requirements is a Departmental priority. Staff ensures the quality of workmanship in HOME-funded projects through the inspection process. TDHCA staff, in conjunction with Manufactured Housing Inspectors, conducts inspections to substantiate the quality of the work performed. Deficiencies and concerns are identified during an initial inspection, with corrective action required by construction completion. The clearance of a final inspection is required of all rental housing developments funded by the Department.

TDHCA staff has attended trainings and become familiar with the construction standards of Section 504, Rehabilitation Act of 1973. Manufactured Housing Inspection Staff assisting with conducting inspections have been given the necessary tools to thoroughly complete these inspections and are provided annual training by Department staff on the procedures, expectations, and accessibility requirements.

Other processes used to ensure quality workmanship have included plan reviews. Beginning with the 2006 commitments, the Department required plans to have architectural sign off on specifications, and confirm compliance with committed amenities and compliance with any accessibility requirements.

### *Long-Term Compliance*

The CAO Division is responsible for long term monitoring of income eligibility and tenure of affordability for applicable HOME projects. In other cases where written agreements require long-term oversight (such as land use restrictive covenants), reporting and enforcement procedures have been implemented.

The CAO Division performs on-site monitoring visits in accordance with the requirements of the HOME Program and Department policies and procedures, as described in the Financing/Loan Agreements, Deed Restrictions, and Regulatory and Land Use Restriction Agreement. If a property participates in more than one housing program, the most restrictive monitoring procedure is followed.

### *Risk Management*

HOME contracts are monitored based on a risk assessment model that is updated on an annual basis or more frequently if required. Some of the elements of the Risk Assessment Model may include the type of activity, existence of a construction component, Davis/Bacon requirements, results of previous on-site visits, status of the most recent monitoring report, amount funded, previous administrator experience, entity type, and Single Audit status. In addition to the results of the risk assessment survey, referrals from division staff are considered when determining in depth monitoring reviews or required technical assistance. An emphasis is placed on monitoring of contracts within the current draw period and contracts with projects in the affordability period as defined by HUD.

If complaints are received by the Department, they are considered a risk management element and will be reviewed in detail. Supplemental monitoring activities will be performed to ensure program compliance and detection of possible fraud or mismanagement.

The Risk Assessment Model is also implemented for ESGP. Some of the elements of the Risk Assessment Model include the following: length of time since last on-site visit, results of last on-site visit, status of most recent monitoring report, timeliness of grant reporting, total amount funded during assessment period, total amount funded for all TDHCA contracts during assessment period, number of TDHCA contracts funded during assessment period, and Single Audit Status. In addition to the results of the risk assessment survey consideration is also given to recommendations made from other TDHCA divisions regarding performance with other TDHCA-funded programs.

TDHCA monitors ESGP subrecipients based on an assessment of associated risks. The assessment of associated risks utilizes factors developed by the Department's Compliance and Asset Oversight Division in conjunction with the Community Affairs Division. The factors include the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and dollar amounts of Department funds contracts and single audit issues. Subrecipients with the highest rankings are considered high risk and will receive an on-site monitoring review. Subrecipients with low rankings will have a desk review conducted. During the monitoring review, staff determine subrecipients' compliance with the ESGP contract, ESGP State Regulations, State Policy Issuances, 24 CFR Ch V, Part 576, OMB Circulars related to expenditure of funds, and requirements of Chapter 58 of the Environmental Protection Act as it relates to projects funded for rehabilitation, conversion, or renovation.

### *Sanctions*

Based on the results of ongoing HOME monitoring, sanctions are imposed for noncompliance issues based on the severity of noncompliance, which may include delays in project set-ups, draw request processing, questioned/disallowed costs, suspension of the contract, or contract termination. When necessary, the Executive Director executes a referral to the State Auditor's Office for investigation of fraud as required by Section 321.022(a) of the Texas Government Code. Sanctions imposed may affect future application requests and scoring. In addition, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

The majority of HOME administrators comply with program rules and regulations. However, for the handful who do not, after technical assistance and a corrective action period is provided, administrative penalties are considered. The Department has the authority to assess administrative penalties for event of noncompliance, ranging from $100 to up to $1000 per day for serious noncompliance events. Although still in its infancy, the administrative penalty process is proving to be a successful and effective tool for restoring compliance.

In addition, the Department has the ability to debar individuals and companies from participation in our programs. Debarred entities will be listed as such on the Department's website which will likely affect their ability to be awarded contracts with other state and federal agencies.

The results of ongoing ESGP monitoring will also determine if sanctions are imposed for noncompliance issues. Sanctions range from the use of the cost reimbursement method of payment, deobligation of funds, suspension of funds, and termination of the contract. TDHCA's legal staff is notified and referrals are made to the Attorney General's Office. Sanctions imposed affect the future consideration of ESGP applications for funding.

## CDBG Monitoring

The monitoring function of the TxCDBG has four components: project implementation, contract management, audit, and monitoring compliance.

### *Project Implementation*

Prior to the award of funds, each community is evaluated for compliance in prior contracts. The application scoring process at the state level includes a scoring factor for past performance on CDBG contracts. In addition, once a funding recommendation has been made the contract is routed through the Program Development Unit, Compliance Unit and Finance Division to verify that no outstanding issues in previously awarded contracts prevent the contract execution for the recommended award.

### *Contract Management*

All open TxCDBG projects are assigned to a specific Regional Coordinator who is responsible for contract compliance and project management. All projects have formal contracts that include all federal and state requirements. Regional Coordinators monitor progress and compliance through formal reporting procedures. Program Specialists for Labor Standards and Environmental compliance also exist under the TxCDBG project oversight function. Additionally, all reimbursement requests require complete supporting documentation before payment is made.

### *Audit*

The audit function is authorized by OMB A-133, which requires that governmental units and nonprofit organizations spending more than $500,000 in either federal or state funds during their fiscal years ending after December 31, 2003, submit a copy of a Single Audit to the Agency. A Single Audit is required for desk review by TDRA regardless of whether there are findings noted in the audit pertaining to CDBG funds, since it is an additional monitoring tool used to evaluate the fiscal performance of grantees.

### *Monitoring Compliance*

The on-site programmatic reviews are conducted on every CDBG contract prior to close-out to ensure the contractual obligations of each grant are met. The projects are considered available for review when 75 percent of the contracted funds have been drawn down, and for construction projects, when construction has been substantially completed. Interim monitoring reviews may be conducted as necessary.

The areas reviewed include procurement procedures paid with CDBG funds or with match dollars, accounting records including copies of cancelled checks, bank statements and general ledgers (source documentation is reviewed at the time of draw requests), equipment purchases and/or procurement for small purchases, on-site review of environmental records, review of any applicable construction contracts, file review of any applicable client files for rehabilitation services, review of labor standards and/or a review of local files if internal staff used for construction projects, and a review of documentation on hand pertaining to fair housing and civil rights policies.

In addition to the formal monitoring function described above, the staff of the Compliance Unit communicates with the staff of the Project Management Unit as needed to evaluate issues throughout the contract implementation phase of CDBG contracts in order to identify and possibly resolve contract issues prior to the monitoring phase of the project.

## HOPWA MONITORING

A team of DSHS consultant staff monitor the AAs' HOPWA administration activities, and the AAs monitor the Project Sponsors for HOPWA program compliance. This monitoring involves periodic site visits, technical assistance, and the submission of quarterly progress reports. Desk audits are conducted by the Contract Management Unit at the division level in DSHS. Additionally, fiscal audits are conducted as part of a centralized service of DSHS, the Contract Monitoring and Oversight Section, directly under the Chief Operations Officer.

Administrative Agencies and Project Sponsors are required to comply with HUD regulations, the DSHS Program Manual and their contractual Statement of Work. The DSHS HOPWA program manual is located at http://www.dshs.state.tx.us/hivstd/fieldops/hopwa.shtm. The HOPWA monitoring tool is located at http://www.dshs.state.tx.us/hivstd/fieldops/page_02/hopwa.doc. The HOPWA Statement of Work is located at http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA_Renewal.doc. Principles for fiscal administration are established by the Texas Uniform Grants Management Standards located at http://www.governor.state.tx.us/divisions/stategrants/files/UGMS062004.doc. The requirements for project monitoring are established by DSHS in the Administrative Agency Core Competencies document located at http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf_administrative_duties_standards.pdf.

# HOUSING ACTION PLAN: HOME INVESTMENT PARTNERSHIPS PROGRAM

## FEDERAL RESOURCES EXPECTED PY 2011

The purpose of the HOME Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goals of increasing the supply and the availability of affordable housing and the long-term goal of building partnerships between state and local governments and private and nonprofit organizations in order to strengthen their capacity to meet the housing needs of low-income Texans. TDHCA conducts detailed application workshops and provides technical assistance to all recipients of HOME funds to ensure that all participants meet and follow the state implementation guidelines and federal regulations.

The State of Texas HOME Program anticipates receiving $40,000,000 in HOME allocated funds and $3,000,000 in multifamily and single-family program income for a total of $43,000,000 estimated funding available for distribution.

## ALLOCATION OF PY 2011 FUNDS

§91.320(d) and (f)

TDHCA will use the following method for allocating funds and may make adjustments throughout the program year to transfer funding from an undersubscribed activity or set-aside to an activity that may be experiencing higher demand with the Board's approval:

| Use of Funds | Estimated Available Funding | % of Total HOME Allocation |
|---|---|---|
| Administration Funds (10% of Allocation ) [1] | $4,000,000 | 10% |
| CHDO Project Funds Set Aside (15% of Allocation ) | $6,000,000 | 15% |
| CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) [1] | $300,000 | 1% |
| State Mandated Funds for Contract for Deed Conversions [1] | $2,000,000 | 5% |
| Housing Programs for Persons with Disabilities (5% of Allocation) [1 2] | $2,000,000 | 5% |
| Rental Housing Development Program | $5,000,000 | 13% |
| General Funds for Single Family Activities | $20,700,000 | 52% |
| Total PY 2011 HOME Allocation | $40,000,000 | 100% |
| Estimated Program Income for Multifamily Activities) [1] | $2,000,000 | – |
| Estimated Program Income for Single Pilot Programs [1] | $1,000,000 | – |
| Total Estimated Funding Available for Distribution | $43,000,000 | – |

[1] The funding for these activities is not subject to the Regional Allocation Formula.

[2] Per Section 2306.111(c) of the Texas Government Code, TDHCA shall expend 95 percent of HOME funds for the benefit of non–PJ areas of the state. Five percent of HOME funds shall be expended for the benefit of persons with disabilities who live in any area of the state.

The following targets will be used to distribute General Funds for Single Family Activities:

| Activity | Funding Amount | % of Available Funding |
|---|---|---|
| Homebuyer Assistance | $3,105,000 | 15% |
| Homeowner Rehabilitation | $14,490,000 | 70% |
| Tenant Based Rental Assistance | $3,105,000 | 15% |
| Total Estimated Funding Available for Distribution | $20,7000,000 | 100.0% |

### *Estimated PY 2011 Beneficiaries*

Based on anticipated program activities TDHCA estimates that the number of PY 2011 beneficiaries assisted will be approximately 842 low-, very low-, or extremely low-income households. On the basis of historical performance, TDHCA estimates that approximately 50 percent of those households will be minority households.

## DESCRIPTION OF ACTIVITIES

§91.320(d) and (e)

### *Homeowner Rehabilitation*

Rehabilitation, new construction or reconstruction cost assistance is provided to eligible homeowners for their existing home in the form of a grant or loan. The home must be the principal residence of the homeowner and the homeowner must meet all other eligibility requirements.

Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction, newly constructed single family housing must meet the International Residential Code (IRC) as currently required by State statute. In the absence of a local code for rehabilitation, the single family housing must meet the rehabilitation standards established by the Department. If a home is newly constructed or reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family housing.

The available funding for this activity is approximately $14.4 million, which may only be used in non-PJs. The Department may set-aside a portion of these funds during the 2011 program year as a pilot program using a reservation system. In addition, the Department may set-aside a portion of the estimated program income toward a pilot program that would allow the refinance of existing debt for single-family, owner-occupied housing, when rehabilitation to correct substandard conditions is the primary use of the HOME funds.

### *Tenant-Based Rental Assistance*

According to the American Community Survey 3-Year Estimates, approximately 44% or 1,267,171 households that rent in Texas have a housing cost burden of equal or greater than 30 percent of their income between 2006-2008. Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed 24 months. If available, additional funds may be set-aside to provide assistance beyond 24 months. Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards (HQS) in 24 CFR §982.401. The Department may set-aside a portion of these funds during the 2011 program year as a pilot program using a reservation system. In addition, the Department may set-aside a portion of the estimated program income toward a pilot program that would allow the extension of assistance beyond 24 months. The available funding for this activity is approximately $3.1 million, which may only be used in non-PJs. This amount does not include Housing Programs for Persons with Disabilities funding that may be issued under a separate NOFA.

### *Homebuyer Assistance with or without Rehabilitation*

§92.254

According to the American Community Survey 3-Year Estimates, approximately 26% or 1,398,322 households that own a home in Texas had a housing cost burden of equal or greater than 30 percent of their income between 2006-2008. Down payment, closing cost, rehabilitation, and contract for deed conversion assistance may be provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.
- Acquisition or new construction costs for the replacement of manufactured housing.

Eligible homebuyers receive assistance in the form of a loan. HBA loans are required to be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the unit ceases to be the assisted homebuyer’s principal residence. If any of these occur before the end of the loan term, the amount of recapture will be based on the pro-rata share of the remaining loan term and the shared net proceeds in the event of sale of the housing unit.

Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction, newly constructed single family housing must meet the International Residential Code (IRC) as currently required by State statute. In the absence of a local code for rehabilitation, the single family housing must meet the rehabilitation standards established by the Department. If a home is newly constructed or reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code. Housing units that are provided assistance for acquisition only must meet all applicable state and local housing quality standards and code requirements. In the absence of such standards and requirements, the housing units must meet the Housing Quality Standards (HQS) in 24 CFR §982.401.

The available funding for this activity is approximately $3.1 million, which may only be used in non-PJs. This amount does not include Housing Programs for Persons with Disabilities funding, which may be issued under a separate NOFA. Additionally, the Department may set-aside a portion of these funds or a portion of the estimated program income during the 2011 program year as a pilot program for a loan program reservation system.

### *Rental Housing Development*

Awards for eligible applicants are to be used for the acquisition, construction, and rehabilitation of affordable multifamily rental housing. TDHCA will not provide funding for the refinancing and/or acquisition of affordable housing developments that were constructed within the past 10 years. A standard underwriting review will be performed on applications under this activity. TDHCA generally make awards in form of a loan. Owners of rental units assisted with HOME funds must meet affirmative marketing requirements as delineated in the Department's Compliance Rules. Owners of rental units assisted with HOME funds also must comply with initial and long-term income restrictions and keep the units affordable for a minimum period. Housing assisted with HOME funds must, upon completion, meet all applicable local, state, and federal construction standards and building codes. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local, state, and federal housing codes, which include, but are not limited to, the Uniform Physical Condition Standards (UPCS) as developed by the Real Estate Assessment Center (REAC), the International Building Code, Texas Government Code, and Section 504 of the 1973 Rehabilitation Act for the full required period of affordability.

Eligible expenses and activities may further be limited by TDHCA in accordance with state rule and legislation. Rental Housing Development funds may also be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing. Additionally, TDHCA will ensure that all multifamily rental housing developments are built and managed in accordance with its Integrated Housing Rule.

Approximately $7 million, including an estimated $2 million in Program Income, is available for Rental Housing Development Funding for these activities may only be used in non-PJs. This amount does not include the Housing Programs for Persons with Disabilities funding which may be issued under a separate NOFA.

### *Administrative Expenses*

Up to 10 percent of the sum of the Program Year HOME basic formula allocation and program income may be set aside for HOME Administrative expenses to cover the costs of administering the statewide program. A portion of this set-aside may be provided to applicants receiving HOME funds for the cost of administering the program. For-profit organizations are not eligible to receive administrative funds. TDHCA may utilize these funds for construction and Section 504 inspection costs as needed.

### CHDO Set-Aside

A minimum of 15 percent of the annual HOME allocation, approximately $6 million (plus $300,000 – for CHDO operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing. CHDOs can also apply for homebuyer assistance if their organization is the owner or developer of the single family housing project.

In accordance with 24 CFR 92.208, up to 5 percent of the State's Fiscal Year HOME allocation may be used for operating expenses of CHDOs. In accordance with 92.300(a)(2)(f), a CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent or $50,000, whichever is greater, of the CHDOs total operating expenses in that fiscal year. TDHCA may award CHDO Operating Expenses in conjunction with the award of CHDO Development Funds, or through a separate application cycle not tied to a specific activity.

### Contract for Deed Conversions

The 81st Legislature passed Appropriations Rider 6 to TDHCA's appropriation, which requires TDHCA to spend no less than $4 million for the biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income (AMFI). Furthermore, TDHCA is targeted to convert no less than 200 contracts for deeds into traditional notes and deeds of trust. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must not earn more than 60 percent of AMFI and the home converted must be their primary residence. The properties proposed for this initiative must meet TDHCA's definition of a colonia. HOME funds may be used in the administration of this program at the determination of the Department. If HOME funds are used for this activity, the program must comply with federal requirements as established in 24 CFR 92 and in accordance with §2306.111 (c), Texas Government Code, these funds may only be used in non-PJs. As a statutorily required set-aside, these funds would not be subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

### Housing Programs for Persons with Disabilities

According to the American Community Survey 3-Year Estimates, between 2005-2007 there were approximately 3,019,042 million people in Texas over the age of five, or approximately 14.4 percent, had some type of long lasting condition or disability. Of these, 312,812 households, include persons with self-care limitations in Texas. Approximately 23.4 percent of people over the age of five with a disability were under the poverty level. However, leveraging other federal funds, the numbers of persons with disabilities transitioning from institutional living into community-based living is increasing, becoming a priority for the State of Texas. This is based on the most recent data available. The Department's Tenant-Based Rental Assistance Program for Persons with Disabilities is a critical component in the housing continuum toward helping households transition back into the community.

Approximately 5% of the State's annual HOME allocation shall be directed toward assistance for Persons with Disabilities (PWDs) who live in any area of the state. TDHCA will ensure that all housing developments are built and managed in accordance with its Integrated Housing Rule, 10 Texas Administrative Code §1.15.

### *Special Needs Populations*

Subject to the availability of qualified applications, TDHCA has a goal to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, for-profits, units of general local government, and PHAs with documented histories of working with special needs populations. All HOME Program activities will be included in attaining this goal. Additional incentives may be established under each of the eligible activities to assist TDHCA in reaching its goal. Funds will be made available via Notices of Funding Availability based on activity type.

## FUNDING DISTRIBUTION

Subject to Texas Government Code §2306.111, HOME funds will be distributed according to the established Regional Allocation Formula (RAF), The 2010 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Development Program,
- General Funds for Single Family Activities.

The table below shows the regional funding distribution for all of the activities distributed under the RAF. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2010 Targeted Distribution of Funds under the RAF*

| Region | Place for Geographical Reference | Regional Funding Amount | Regional Funding % | Rural Funding Amount | Rural Funding % | Urban Funding Amount | Urban Funding % |
|---|---|---|---|---|---|---|---|
| 1 | Lubbock | $1,720,257 | 4.6% | $1,719,823 | 100.0% | $434 | 0.0% |
| 2 | Abilene | $1,081,834 | 2.9% | $1,054,137 | 97.4% | $27,697 | 2.6% |
| 3 | Dallas/Fort Worth | $7,535,817 | 20.0% | $2,500,475 | 33.2% | $5,035,342 | 66.8% |
| 4 | Tyler | $3,714,016 | 9.8% | $2,889,040 | 77.8% | $824,976 | 22.2% |
| 5 | Beaumont | $1,996,997 | 5.3% | $1,776,185 | 88.9% | $220,812 | 11.1% |
| 6 | Houston | $3,427,061 | 9.1% | $1,162,092 | 33.9% | $2,264,969 | 66.1% |
| 7 | Austin/Round Rock | $2,482,338 | 6.6% | $1,116,180 | 45.0% | $1,366,157 | 55.0% |
| 8 | Waco | $1,448,525 | 3.8% | $706,773 | 48.8% | $741,752 | 51.2% |
| 9 | San Antonio | $1,929,426 | 5.1% | $1,238,269 | 64.2% | $691,157 | 35.8% |
| 10 | Corpus Christi | $2,286,072 | 6.1% | $1,501,480 | 65.7% | $784,592 | 34.3% |
| 11 | Brownsville/Harlingen | $7,450,756 | 19.7% | $3,441,506 | 46.2% | $4,009,250 | 53.8% |
| 12 | San Angelo | $1,651,324 | 4.4% | $791,664 | 47.9% | $859,660 | 52.1% |
| 13 | El Paso | $1,003,375 | 2.7% | $752,565 | 75.0% | $250,811 | 25.0% |
| | Total | $37,727,798 | 100.0% | $20,650,188 | 54.7% | $17,077,610 | 45.3% |

**2011 RAF will be provided in the final version of this document.*

### *Review of Applications*

All programs will be operated through direct administration by TDHCA or announced by the release of a Notice of Funding Availability. For Notices of Funding Availability, applicants must submit a complete application to be considered for funding, along with an application fee determined by TDHCA. Applications received by TDHCA will be reviewed for applicable threshold, eligibility and/or scoring criteria in accordance with the Department's rules and application review procedures published in the NOFA and/or application materials.

### *Selection Process*

Qualifying applications are recommended for funding based on the Department's rules and any additional requirements established in the Notice of Funding Availability. Applications submitted for development activities will also receive a review for financial feasibility and underwriting. Applications will be reviewed and recommended for funding in the manner prescribed in the State of Texas HOME Program Rule.

### *Match Requirements*

TDHCA will provide matching contributions from several sources for HOME funds drawn down from the State's HOME Investment Trust Funds Treasury account within the fiscal year. The State sources may include the following:

- Loans originated from the proceeds of single family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- Match contributions from the State's Housing Trust Fund to affordable housing projects that are not HOME-assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).
- Eligible match contributions from State recipients and subrecipients, as specified in 24 CFR 92.220.
- Match contributions from local political jurisdictions provided through the abatement of real estate property taxes for affordable housing properties developed and owned by qualified CHDO applicants.

### *Deobligated HOME Program Funds*

When administrators have not successfully expended the HOME funds within their contract period, TDHCA deobligates the funds and pools the dollars to award applicants according to TDHCA's Deobligated Funds Policy.

## APPLICABLE FEDERAL AND STATE REGULATIONS

§91.320(k)

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205–92.209 and 10 TAC Chapter 53.

Developments receiving funding from TDHCA must comply with accessibility standards required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), as amended, and specified under 24 CFR Part 8, Subpart C. This includes a provision that a minimum of 5 percent of the total dwelling units or at least one unit, whichever is greater, must be made accessible for individuals with mobility impairments. An additional 2 percent of the total number of dwelling units or at least one unit, whichever is greater, must be accessible for individuals with hearing or vision impairments.

### *Minority Participation*

TDHCA encourages minority employment and participation among all applicants under the HOME Program. All applicants to the HOME Program are required to submit an affirmative marketing plan as part of the application process. Additionally, TDHCA encourages outreach to Historically Underutilized Businesses (HUBs) by including advertisement examples aimed at HUBs in the sample procurement plan during implementation training. Additionally, form HUD-702, which lists businesses used for the contract including HUBs, is required from sub-recipients with the final draw request for each HOME activity.

Furthermore, while Section 3 encourages the use of Section 3 business concerns and employment of Section 3 residents, the Section 3 residents may not be minorities. Section 3 residents are people who make 80 percent or less than the area median family income and reside in the neighborhood in which certain HUD-funded assistance takes place. However, there has historically been a correlation between low-income persons and minority status. To address this correlation and encourage minority participation, TDHCA will require sub-recipients that receive over $200,000 for Section 3-covered assistance, including housing construction or reconstruction, to comply with and report on Section 3 starting with new contracts issued in SFY 2011.

Finally, the Housing Resource Center, a division that conducts research for the Department, is in the process of conducting the Four-Part Analysis for TDHCA to comply with the regulations under Title VI of the Civil Rights Act of 1964. Tile VI ensures program access to residents of Texas designated as possessing “limited English proficiency” or LEP. The Four-Factor Analysis includes: (1) the number or proportion of LEP persons served or encountered in the eligible service population; (2) the frequency with which LEP persons come into contact with the program; (3) the nature and importance of the program, activity or service provided by the program; and (4) the resources available and costs to the recipient. After the Four-Factor Analysis is complete, TDHCA will complete its Language Access Plan which will determine reasonable steps to comply with the regulations and ensure access for all TDHCA programs to Texans regardless of their national origin and native languages.

## RECAPTURE PROVISIONS UNDER HOMEOWNERSHIP PROGRAMS

§92.254(a)(4)

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 CFR 92.254(a)(5).

TDHCA has elected to utilize the recapture provision under 24 CFR 92.254(a)(5)(ii) as its method of recapturing HOME funds under any program the State administers that is subject to this provision. The following methods of recapture would be acceptable to TDHCA and will be identified in the note prior to closing:

1. Recapture the amount of the HOME investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.

2. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than HOME funds) are in excess of the amount of the HOME investment that is subject to recapture, then the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following mathematical formulas:

   (HOME investment / (HOME investment + homeowner investment)) X net proceeds = HOME amount to be recaptured

   (Homeowner investment / (HOME investment + homeowner investment)) X net proceeds = amount to homeowner

In certain instances, TDHCA may choose to utilize the resale provision at 24 CFR 92.254(a)(5)(i) under any program the State administers that is subject to this provision. The following method of resale would be acceptable to TDHCA and will be identified in the note prior to closing:

1. Resale requirements must ensure that, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low or very low income family and will use the property as its principal residence.

2. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low or very low income homebuyers.

3. The period of affordability is based on the total amount of HOME funds invested in the housing.

### OTHER FORMS OF INVESTMENT

§91.320(k)(2)(i)

If a participating jurisdiction intends to use other forms of investment not described in §92.205(b), a description of the other forms of investment must be provided.

The State is not proposing to use any form of investment in its HOME Program that is not already listed as an eligible form of investment in 24 CFR 92.205(b).

### *Refinancing Debt*

§91.320(k)(2)(iii)

If the State intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR § 92.206(b).

TDHCA may use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds as described in 24 CFR § 92.206(b). TDHCA shall use its underwriting and evaluation standards, codified at 10 Texas Administrative Code, Chapter 1 and its HOME Program Rule at 10 Texas Administrative Code, Chapter 53, for refinanced properties in accordance with its administrative rules. At a minimum, these rules require the following:

- That rehabilitation is the primary eligible activity for developments involving refinancing of existing debt;
- No HOME funds will be used to refinance affordable housing developments that were constructed within the past 10 years.
- Sets a minimum funding level for rehabilitation on a per unit basis;
- Requires a review of management practices to demonstrate that disinvestments in the property has not occurred;
- That long term needs of the project can be met;
- That the financial feasibility of the development will be maintained over an extended affordability period;
- State whether new investment is being made to maintain current affordable units, and or create additional affordable units;
- Specifies the required period of affordability;
- Specifies that HOME funds may be used throughout the entire jurisdiction, except as TDHCA may be limited by the Texas Government Code; and
- States that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.

## CPD Outcome Performance Measurement System Reporting

§91.320(c)(3), §91.3320(e), §91.320(g)

In accordance with the guidelines from HUD, TDHCA will comply with the new CPD Outcome Performance Measurement System. Compliance will be attained through the creation and development of additional tracking screens in TDHCA's central database to enable the Department to capture information needed for input into IDIS. HOME Program eligible activities will be categorized into the objectives and outcomes listed in the chart below. It is anticipated most HOME Program eligible activities will be categorized as Outcome #2 and Objective #2.

The estimated performance figures are based on planned performance during the Program Year (February 1st through January 31st) of contracts committed and projected households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on anticipated units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

| OBJECTIVES | OUTCOME 1 | OUTCOME 2 | OUTCOME 3 |
|---|---|---|---|
| OBJECTIVE #1<br>Suitable Living Environment | Enhance Suitable Living Environment Through Improved/New Accessibility | Enhance Suitable Living Environment Through Improved/New Affordability | Enhance Suitable Living Environment Through Improved/New Sustainability |
| OBJECTIVE #2<br>Decent Housing | Create Decent Housing with Improved/New Availability | Create Decent Housing with Improved/New Affordability (DH-2) | Create Decent Housing with Improved/New Sustainability |
| OBJECTIVE #3<br>Economic Opportunity | Provide Economic Opportunity Through Improved/New Accessibility | Provide Economic Opportunity Through Improved/New Affordability | Provide Economic Opportunity Through Improved/New Sustainability |

**HOME Program Performance Measures**

| Outcomes and Objectives | Performance Indicators | Expected Number |
|---|---|---|
| DH-2 | No. of rental units assisted through new construction and rehabilitation | 262 |
| DH-2 | No. of tenant-based rental assistance units | 170 |
| DH-2 | No. of existing homeowners assisted through owner-occupied assistance | 200 |
| DH-2 | No. of first-time homeowners assisted through homebuyer assistance | 210 |

**HOME Homeless and Special Needs Goals**

| ANNUAL AFFORDABLE HOUSING GOALS | Expected Annual Number of Units To Be Completed |
|---|---|
| Homeless households | 50 |
| Non-homeless households | 500 |
| Special needs households | 350 |

# HOMELESS ACTION PLAN: EMERGENCY SOLUTIONS GRANTS PROGRAM

## FEDERAL RESOURCES EXPECTED PY 2011

TDHCA will receive $5,236,361 for PY 2011.

## RECIPIENTS

Recipients of ESGP funds are units of general local government and private nonprofit organizations.

## ESTIMATED PY 2011 BENEFICIARIES

It is estimated that in PY 2011 74 private nonprofit entities and units of general local government will be funded to administer projects that will provide shelter and related services to homeless persons and/or intervention services to persons at risk of homelessness. It is anticipated that five of the subrecipient organizations which will be funded will be collaborative applications with one or more partners. It is estimated that approximately 61,000 homeless persons will be assisted in PY 2011.

### *Targeted Beneficiaries*

The targeted beneficiaries are homeless individuals and individuals at risk of homelessness.

## FUNDING DISTRIBUTION

§91.320(d) and (f)

TDHCA has administered the Emergency Solutions Grants Program (ESGP) since 1987. TDHCA will administer the S-094-DC-48-0001 ESGP funds in a manner consistent with the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. Sec 11371 et seq.). TDHCA will obligate PY 2011 ESGP funds through a statewide competitive application process. ESGP funds are reserved for each of the State's 13 Uniform State Service Regions based on the poverty population of each region taken from the 2000 US Census.

## OBJECTIVES

§91.320(d)

The objectives of ESGP consist of the following:

- Help improve the quality of emergency shelters for the homeless.
- Make additional emergency shelters available.
- Help meet the costs of operating and maintaining emergency shelters.
- Provide essential services so that homeless individuals have access to the assistance they need to improve their situations.
- Provide emergency intervention assistance to prevent homelessness.

The State's strategy to help homeless persons includes: community outreach efforts to ensure that homeless persons and persons at risk of homelessness are aware of available services, providing funding to support emergency shelter and transitional housing programs, helping homeless persons make the transition to permanent housing and independent living through comprehensive case management, and supporting other efforts to address homelessness. This strategy is outlined below.

### *Helping low income families avoid becoming homeless*

TDHCA awards ESGP funds using the competitive process described in the ESGP One-Year Action Plan. In that process, up to 30 percent of the State's ESGP annual allocation is made available to support homelessness prevention activities, and up to 30 percent of the ESGP annual allocation is made available to provide essential services. Homelessness prevention efforts include short-term rent and utility assistance for homeless individuals and families and, if they meet certain criteria, those who are at-risk of losing their housing.

Applicants for ESGP funding are required to demonstrate coordination with other providers in their communities as part of the ESGP scoring criteria. ESGP grant recipients are encouraged to maximize all community resources when providing homelessness prevention assistance to ensure the appropriate use of these limited resources.

### *Reaching out to homeless persons and assessing their individual needs*

Each application for ESGP funding includes information about the case management system used by the applicant organization.

Each application for ESGP funding includes a description of services provided to homeless persons. This description is evaluated during the application review process as a criterion for receiving ESGP funding.

ESGP grant recipients will be required to report on outcomes achieved by homeless persons assisted. Reporting on outcomes will provide TDHCA with information on the long-term impact of the services provided such as the attainment of transitional housing or permanent housing, obtaining a GED or high school diploma or the achievement of other education and training goals, obtaining job skills, job placement, etc.

### *Addressing the emergency shelter and transitional housing needs of homeless persons*

ESGP grants provide support to organizations that provide emergency services, shelter, and transitional housing to homeless persons and families.

To ensure equitable distribution of funding, a portion of the ESGP allocation is reserved for each of the 13 regions in the state on the basis of the poverty population in each region. TDHCA expects to fund 76 projects in PY 2011. (See the ESGP Obligation Process later in this section.)

### *Helping homeless persons make the transition to permanent housing*

ESGP funds can be used to pay rent and utility deposits as well as first month's rent for homeless individuals making the transition to permanent housing.

ESGP will require sub-recipients that are performing construction or rehabilitation to submit a Section 3 report as to how many low-income households have the opportunity to perform work on the construction.

### *Supporting other efforts to address homelessness*

The State has contracted with an organization to provide technical assistance in FY 2010 to rural homeless coalitions representing approximately 182 Texas counties and will support the State's effort to assist rural communities in their efforts to access federal CoC funds and that are interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State. Types of technical assistance to be rendered will include, but not be limited to, homeless counts/surveys, compilation of a housing and services inventory, identification of housing gaps, and development of homeless discharge plan strategies for their area. Organizations receiving the technical assistance must be located in a Balance of State area and applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development. The State has provided State General Revenue funds to the Texas Homeless Network, the awardee of the RFP which the Department released in 2008, to provide the referenced technical assistance. The first year of funding began September 1, 2008 and the second year September 1, 2009. The Department expects that as a result of the technical assistance that will be rendered, the State will submit a more competitive application to HUD for Continuum of Care funds. If the State receives Continuum of Care funds for the Balance of State areas, additional homeless persons will be assisted in the State. The source of funding for this contract is State general revenue funds.

## ELIGIBLE ACTIVITIES

§91.320(d)

The provision of assistance to obtain and maintain housing and the provision of funding to support the maintenance and operation of shelters help meet the priority needs of providing emergency shelter and transitional housing to very low-income individuals.

ESGP funds may be used for the following eligible activities:

(1) Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters for the homeless.

(2) Provision of essential services, including, but not limited to, the following:

- (A) Assistance in obtaining permanent housing
- (B) Medical and psychological counseling and supervision
- (C) Employment counseling
- (D) Nutritional counseling
- (E) Substance abuse treatment and counseling
- (F) Assistance in obtaining other federal, state, and local assistance
- (G) Other services such as child care, transportation, job placement, and job training

(H) Staff salaries necessary to provide the above services

These services may be provided only pursuant to Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Sec. 11374), which requires that services funded with ESGP must be provided in a nondiscriminatory manner.

(3) Payment of maintenance, operation, and furnishings costs, except that not more than 10 percent of the amount of any ESGP grant may be used to pay operation staff costs.

(4) Developing and implementing homeless prevention activities as per Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act.

*Recipient Requirements*

Recipients of ESGP funding are required to meet certain minimum specifications that include, but are not limited to, the following:

(1) Being a unit of general local government or private nonprofit organization.

(2) Documenting, in the case of a private nonprofit organization, that the proposed project has the approval of the city, county, or other unit of local government in which the project will operate.

(3) Providing for the participation of homeless or formerly homeless individuals on their board of directors or other policy-making entity.

(4) Assuring that ESGP subrecipients obligate funds within 180 days from the date that TDHCA received the award letter from HUD.

(5) Documentation of fiscal accountability, as specified in the application.

(6) Proposing to undertake only eligible activities.

(7) Demonstrating need.

(8) Assuring ability to provide matching funds.

(9) Demonstrating effectiveness in serving the homeless, including the ability to establish, maintain, and/or improve the self-sufficiency of homeless individuals.

(10) Assuring that homeless individuals will be involved in the provision of services funded through ESGP, to the maximum extent feasible, through employment, volunteerism, renovating, maintaining or operating facilities, and/or providing direct services to occupants of facilities assisted with ESGP funds.

(11) Assuring the operation of an adequate, sanitary, and safe homeless facility.

(12) Assuring that it will administer, in good faith, a policy designed to ensure that the homeless facility is free from the illegal use, possession, or distribution of drugs or alcohol by its beneficiaries.

(13) Assuring that it will develop and implement procedures to ensure the confidentiality of records of any individual receiving assistance as a result of family violence.

(14) Proposing a sound plan consistent with the State of Texas Consolidated Plan, the McKinney-Vento Homeless Assistance Act, and all other assurances and certifications.

(15) Assuring the participation in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of person from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) to prevent such discharge from immediately resulting in homelessness for such persons. ESGP funds are not to be used to assist such persons in place of State and local resources.

(16) Assuring that it will meet HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.

(17) Any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary, and the renovation will assist homeless individuals in obtaining:

> (A) appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living; and
>
> (B) other Federal, state, local, and private assistance available for such individuals.

### FUND OBLIGATION PROCESS

§91.320(k)

TDHCA will obligate PY 2010 ESGP funds to units of general local government or to private nonprofit organizations which have local government approval to operate a project which assists homeless individuals. TDHCA will evaluate all applications received and award funds in accordance with the application specifications. This statewide competitive application process will allow ESGP funds to be distributed equitably.

The State's anticipated ESGP allocation for PY 2011 is $5,236,361 less 5 percent ($261,818) for state administration costs of which approximately $18,612 will be shared with subrecipient organizations which are units of general local government. TDHCA reserves ESGP funds for each of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the percentage of poverty population that exists in each region according to the most recent county Census data. Applicants compete only against other applicants in their Uniform State Service Region.

TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the State of Texas Low Income Housing Plan and Annual Report. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

TDHCA issues a notice of funding availability (NOFA) and posts an application to its website. Applications are also provided directly to any organization or individual upon request. The applications are reviewed using a standardized review instrument. A variety of factors, as per the application instructions, are evaluated and scored to determine each application's merit in identifying and addressing the needs of the homeless population, as well as the organization's capacity to carry out the proposed project.

The top scoring applications in each region will be recommended for funding based on the amount of funds reserved for each region. All available ESGP funds are obligated each year through 12-month contracts.

### APPLICABLE FEDERAL AND STATE REGULATIONS

- 24 CFR 576 as amended;
- Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. sec, 11371 et seq.)
- 10 Texas Administrative Code, Chapter 5, Subchapter C.
- 24 CFR 135, also known as Section 3*

*Section 3 requires certain recipients of HUD financial assistance to provide job training, employment, and contract opportunities for low- or very-low income residents in connect with projects and activities in their neighborhoods. Grant recipients rehabilitating or constructing homeless shelters with ESGP funds will be required to submit a Section 3 report. TDHCA will require subrecipients that receive over $200,000 for Section 3-covered assistance to take actions to meet Section 3 requirements starting with new contracts issued in SFY 2011.

### LEVERAGING RESOURCES

Section 576.51 of the ESGP regulations state that each grantee must match the funding provided by HUD. Match resources must be provided after the date of the ESGP grant award and must be provided in an amount equal to or greater than the ESGP grant award. Resources used to match a previous grant may not be used to match a subsequent award. Sources of match may include, but are not limited to, unrestricted funds from the grant recipient, volunteer hours, the value of donated materials or buildings, or the fair market rent or lease value of a building used to provide services to the homeless population. Each applicant must identify the source and amount of match they intend to provide if they are selected for funding and may report monthly on the amount of match provided. ESGP monitors review the match documentation during each on-site monitoring visit. A desk review is completed at the closeout of each contract to ensure, among other things, that each ESGP recipient has provided an adequate amount of match during the contract period.

### SPECIAL INITIATIVES AND PARTNERSHIPS

TDHCA is the lead agency in the Texas Interagency Council for the Homeless (TICH). TICH is charged with surveying and evaluating services for the homeless in Texas, assisting in the coordination and provision of services to homeless person throughout the State, increasing the flow of information among service providers and appropriate authorities, developing guidelines to monitor services to the homeless, providing technical assistance to the housing finance division of TDHCA in assessing housing needs for persons with special needs, establishing a central resource and information center for the State's homeless population, and developing a strategic plan to address the needs of the homeless in cooperation with TDHCA and the Health and Human Services Commission.

TDHCA also supports activities that address homelessness, including providing technical assistance to develop and strengthen homeless coalitions throughout Texas, distributing a statewide bimonthly newsletter on homelessness, maintaining an information resource center, workshops, sponsoring an annual statewide conference on homeless issues, and the provision of training and technical assistance to organizations interested in being part of the State's application for Continuum of Care funds for the balance of state areas in the State.

## CPD Outcome Performance Measurement System Reporting

§91.320(c)(3), §91.320(e), §91.320(g)

ESGP began reporting using the HUD CPD Outcome Performance Measurement System on September 1, 2006, with the implementation of the 2006 ESGP contracts. TDHCA will continue to utilize this reporting system in 2009. In 2007, the HUD CPD Outcome Performance Measurement System became automated whereby subrecipients began to report performance data via a Web based application. TDHCA's monthly performance reports have been amended to include changes in reporting requirements required by HUD and to gather data on persons assisted with services which are outcome oriented and have a long-term impact. ESGP activities related to renovation/rehabilitation, essential services, maintenance, operations, and furnishings will fall under HUD's Outcome 1, Availability/Accessibility, and Objective 1, Create a Suitable Living Environment (SL-1). ESGP activities related to homelessness prevention will be reported under HUD's Outcome 1, Affordability and Objective 2, Provide Decent Housing (DH-2).

**ESGP Annual Action Plan Planned Project Results**

| Outcomes and Objectives | Performance Indicators | Expected Number | Activity Description |
|---|---|---|---|
| **SL-1** Availability/ Accessibility and Create a Suitable Living Environment | Accessibility for the purpose of creating a suitable living environment. | 26,000 | Provide funding to support the provision of emergency and/or transitional shelter to homeless persons. |
| **DH-2** Affordability and Provide Decent Housing | Affordability for the purpose of providing decent housing. | 35,000 | The provision of non-residential services including homelessness prevention assistance. |

ESGP Homeless and Special Needs Goals

| ANNUAL AFFORDABLE HOUSING GOALS | Expected Annual Number of Units To Be Completed |
|---|---|
| Homeless households | 70,000* |
| Non-homeless households | n/a |
| Special needs households | 6,300* |

*These numbers represent homeless persons, not households or units.

ESGP only provides rental assistance and assists households who are facing foreclosure, but cannot be utilized to purchase a home. Consequently, ESGP does not impact the number of properties that are affordable. ESGP funds are utilized to assist all homeless persons and persons at-risk of homelessness.

# COMMUNITY DEVELOPMENT ACTION PLAN: TEXAS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

## 2011 ACTION PLAN

## I. PROGRAM YEAR 2011 GENERAL PROGRAM INFORMATION

### *A. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM ADMINISTRATION*

The Texas Department of Rural Affairs (TDRA), administers the State of Texas Community Development Block Grant Program (CDBG), called the Texas Community Development Block Grant Program (Texas CDBG). The Texas Department of Agriculture (TDA) administers the Texas Capital Fund through an interagency agreement between TDRA and TDA. The TxCDBG will continue to fund the Colonia Self-Help Centers Fund but administration of that program will remain with the Texas Department of Housing and Community Affairs (TDHCA) Office of Colonia Initiatives through a Memorandum of Understanding between TDRA and TDHCA.

The mission of the Texas Department of Rural Affairs is to enhance the quality of life for rural Texans.

### *B. ELIGIBLE APPLICANTS*

§91.320(k)

Eligible applicants are nonentitlement general purpose units of local government including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the federal Community Development Block Grant Program (CDBG). Nonentitlement cities that are not participating in urban county programs through existing participation agreements are eligible applicants (unless the city's population is counted towards the urban county CDBG allocation).

Nonentitlement cities are located predominately in rural areas and are cities with populations less than 50,000 thousand persons; cities that are not designated as a central city of a metropolitan statistical area; and cities that are not participating in urban county programs. Nonentitlement counties are also predominately rural in nature and are counties that generally have fewer than 200,000 persons in the nonentitlement cities and unincorporated areas located in the county.

Hidalgo County, a designated CDBG urban county, is eligible to receive assistance under the Texas Community Development Block Grant (TxCDBG) Program Colonia Fund (and each fund category included under the Colonia Fund).

Counties eligible under both the TxCDBG Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program (EDAP) are eligible under the TxCDBG Colonia Economically Distressed Areas Program Fund. Non-entitlement cities located within eligible counties that meet other eligibility criteria, including the geographic requirements of the Colonia Fund, are also eligible applicants for the TxCDBG Colonia Economically Distressed Areas Program Fund.

With the enactment of §43.907 of the Texas Local Government Code, a colonia meeting specified requirements that is annexed by a municipality remains eligible for five years after the effective date of the annexation to receive any form of assistance for which the colonia would be eligible if the annexation had not occurred. This only applies to a colonia annexed by a municipality on or after September 1, 1999.

## C. ELIGIBLE ACTIVITIES

§91.320(d) and (e)

Eligible activities under the Texas Community Development Block Grant Program are listed in 42 U.S.C Section 5305. The TxCDBG staff reviews all proposed project activities included in applications for all fund categories, except the Texas Capital Fund, to determine their eligibility. The Texas Department of Agriculture determines the eligibility of activities included in Texas Capital Fund applications.

**All proposed activities must meet one of the following three National Program Objectives:**
1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slums or blight; or
3. meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community

Area benefit can be used to qualify street paving projects. However, for street paving projects that include multiple and non-contiguous target areas, each target area must separately meet the principally benefit low and moderate income national program objective. At least fifty-one percent (51%) of the residents located in each non-contiguous target area must be low and moderate income persons. A target area that does not meet this requirement cannot be included in an application for TxCDBG funds. The only exception to this requirement is street paving eligible under the Disaster Relief/Urgent Need Fund.

## D. INELIGIBLE ACTIVITIES

In general, any type of activity not described or referred to in 42 U.S.C Section 5305 is ineligible. Specific activities ineligible under the Texas Community Development Block Grant Program are:
1. construction of buildings and facilities used for the general conduct of government (e.g. city halls, courthouses, etc.);
2. new housing construction, except as last resort housing under 49 CFR Part 24 or affordable housing through eligible subrecipients in accordance with 24 CFR 570.204;
3. the financing of political activities;
4. purchases of construction equipment (except in limited circumstances under the STEP Program);
5. income payments, such as housing allowances; and
6. most operation and maintenance expenses (including smoke testing, televising/videotaping line work, or any other investigative method to determine the overall scope and location of the project work activities)

The Texas Capital Fund (TCF) will not accept applications in support of public or private prisons, racetracks and projects that address job creation/retention through a government supported facility. The Texas Capital Fund Program may be used to financially assist/facilitate the relocation of a business when certain requirements, as defined in the application guidelines, are met.

## E. PRIMARY BENEFICIARIES

The primary beneficiaries of the Texas Community Development Block Grant Program are low to moderate income persons as defined under the U.S. Department of Housing and Urban Development (HUD) Section 8 Assisted Housing Program (Section I02(c)). Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family can be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

### F. DISPLACEMENT OF PERSONS ASSISTED

Applicant localities must certify that they will minimize the displacement of persons as a result of activities assisted with Texas Community Development Block Grant Program grant funds.

## II. ALLOCATION OF CDBG FUNDS

91.320(d) and (f)

### A. AVAILABLE FUND CATEGORIES

Assistance is available in six funding categories and one pilot program under the Texas Community Development Block Grant Program as indicated below:

Funds:

1. Community Development Fund
2. Texas Capital Fund
3. Colonia Fund
   - 3a. Colonia Planning and Construction Fund
   - 3b. Colonia Economically Distressed Areas Program Legislative Set-Aside
   - 3c. Colonia Self-Help Centers Legislative Set-Aside
4. Planning and Capacity Building Fund
5. Disaster Relief/Urgent Need Fund
6. TxCDBG STEP Fund

***PILOT PROGRAMS:***

RENEWABLE ENERGY DEMONSTRATION PILOT PROGRAM
COMMUNITY FACILITIES FUND

### B. DESCRIPTION OF FUNDS

#### 1. Community Development Fund

This fund is available on a biennial basis for funding from program years 2011 and 2012 through a 2011 annual competition in each of the 24 state planning regions. Applications received by the 2011 program year application deadline are selected to receive grant awards from the 2011 and 2012 program year allocations. The scoring of the applications is shared between TDRA and the 24 Regional Review Committees (RRC), with the RRC having the predominate percentage of the total possible score.

Regional Priority Set-asides: Housing and Non-Border Colonia projects - Each Regional Review Committee (RRC) is encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and, for RRCs in eligible areas, non-border colonia projects proposed in and for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

The TxCDBG encourages the use of funds not only to improve existing locations but to provide facilities in other areas to accommodate residential opportunities that will benefit low and moderate income persons. Applicants are encouraged to provide for infrastructure and housing activities that will improve opportunities for low and moderate income persons. When considering projects and designing projects, applicants must continue to consider affirmatively furthering fair housing, which includes providing basic infrastructure, such as water, sewer, and roads, that benefit residential housing and other housing activities.

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions based on the following:

*REGIONAL ALLOCATION METHOD*

The original CD formula is used to allocate 40 percent of the annual state CDBG allocation; and the HUD formula is used to allocate 21.71 percent of the annual state CDBG allocation.

Original CD formula (40%) factors:

| | | |
|---|---|---|
| a. | Non-Entitlement Population | 30% |
| b. | Number of Persons in Poverty | 25% |
| c. | Percentage of Poverty Persons | 25% |
| d. | Number of Unemployed Persons | 10% |
| e. | Percentage of Unemployed Persons | 10% |

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The population and poverty information used is from the current available decennial census data. The unemployment information used is the current available annual average information.

HUD formula (21.71%) - the formula is the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The TxCDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

(A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

The TxCDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the TDRA board, Task Forces, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Some regions in the state have a small number of eligible applicants and these regions may receive regional allocations large enough to allow each eligible applicant in that region to apply for an equal share of the regional allocations. The share available to each eligible applicant in the region may amount to an equal share based on the number of eligible applicants and the 2011 and 2012 regional allocations for that region. Or the share available to each eligible applicant in the region may be based on an allocation formula used by the region to allocate the funds available through the 2011 and 2012 regional allocations for the region. Each applicant in one of these regions must meet all state and federal eligibility requirements including but not limited to TxCDBG applicant threshold requirements, federal requirements for eligible activities, and federal requirements that each activity in an application meet one of the three national program objectives. Applicants in these regions are scored by the Regional Review Committees and the TxCDBG staff in accordance with the established Community Development Fund selection criteria. The total score received by each applicant in these regions determines if the applicant receives funding from the 2011 regional allocation or 2012 regional allocation. Depending on the State of Texas' CDBG allocations for the 2011 and 2012 program years, there could be a large variance between the 2011 and 2012 regional allocations. If the 2012 regional allocation for one of these regions decreases significantly from the 2011 regional allocation, then the total scores received by applicants in these regions could in fact prevent some of the applicants from receiving funds from the 2012 regional allocation.

A significant increase or decrease to the State's current Program Year CDBG allocation may result in corresponding increases or decreases to the current Program Year Community Development Fund allocation and correspondingly higher or lower regional allocations.

Non-border colonia projects – available to eligible county applicants for projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and non-entitlement counties, or portions of counties, within 150 miles of the Texas-Mexico border that are not eligible for the Colonia Fund because they are located in a standard metropolitan statistical area that has a population exceeding 1,000,000, as specified the Cranston-Gonzalez National Affordable Housing Act. Non-border colonia areas would be an identifiable unincorporated community that is determined to be colonia-like on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990).

Applicants must demonstrate they are adequately addressing water supply and water conservation issues (in particular contingency plans to address drought-related water supply issues), as described in the application guidance.

Applications requesting funds for projects other than water and sewer must include a description of how the applicant's water and sewer needs would be met and the source of funding that would be used to meet these needs.

*2. Texas Capital Fund*

This economic development funding is used for projects that will create or retain permanent employment opportunities, primarily for low to moderate income persons, and for county economic and management development activities. Responsibility for this fund is contracted to the Texas Department of Agriculture through an interagency agreement. The funds may be used to provide financial assistance for eligible activities as cited in 42 U.S.C Section 5305, including the following activities.

a. Infrastructure improvements to assist a for-profit entity or a non-profit entity.

b. Acquisition of real property or to acquire, construct, reconstruct, or rehabilitate public facilities to assist a for-profit entity.

c. Infrastructure improvements to assist Texas Main Street Program designated municipalities.

d. Downtown Revitalization Program that is designed to foster and stimulate economic development in downtown areas by providing financial assistance for public improvements to non-entitlement cities. This program encourages the elimination of slum and blighted areas by targeting the renovation and/or construction of sidewalks, lighting, drainage and other infrastructure improvements in downtown areas. Communities eligible for the Texas Main Street Program are not eligible for the Downtown Revitalization Program.

e. County economic and management development activities as approved by TDRA. Not more than five percent (5%) of the Texas Capital Fund allocation may be used for these activities. Section 487.352I of the Texas Government Code requires TDRA to "allocate not more than five percent of the funds allocated to the Department of Agriculture under the Texas Capital Fund to be used for county economic and management development." TDRA will review activities proposed for this assistance and determine if the activities are consistent with the federal law governing the CDBG program.

f. Assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:

(1) creates or retains jobs for low- and moderate-income persons;

(2) prevents or eliminates slums or blight;

(3) meets urgent needs;

(4) creates or retains businesses owned by community residents;

(5) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or

(6) provides technical assistance to promote any of the activities under subparagraphs (1) through (5).

The Texas Capital Fund program will require repayment for Real Estate and Infrastructure projects, as follows:

a. Real Estate Development (including improvements to the business site) projects require full repayment with no interest accruing; and

b. Infrastructure Program (awards for infrastructure or railroad improvements on private property require full repayment with no interest accruing).

*3. Colonia Fund*

This fund is available to eligible county applicants for projects in severely distressed unincorporated areas which meet the definition as a "colonia" under this fund. Scoring of all the selection criteria for Colonia Fund applications is completed by TxCDBG staff. The term "colonia" means any identifiable unincorporated community that is within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1,000,000; and that is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Except for fund categories where additional restrictions apply, a county can only submit applications on behalf of eligible colonia areas located within 150 miles of the Texas-Mexico border region, except that any county that is part of a standard metropolitan statistical area with a population exceeding 1,000,000 is not eligible under this fund.

3a. Colonia Planning and Construction Fund

The allocation is available on a biennial basis for funding from program years 2011 and 2012 through a 2011 annual competition. Applications received by the 2011 program year application deadline are eligible to receive grant awards from the 2011 and 2012 program year allocations. Funding priority shall be given to TxCDBG applications from localities that have been funded through the Texas Water Development Board Economically Distressed Areas Program (TWDB EDAP) where the TxCDBG project will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with access to the TWDB EDAP-funded water or sewer system.

An eligible county applicant may submit one (1) application for the following eligible construction activities:

(1) Assessments for Public Improvements – The payment of assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low- and moderate-income to recover the capital cost for a public improvement.

(2) Other Improvements – Other activities eligible under 42 U.S.C Section 5305 designed to meet the needs of colonia residents.

A colonia construction application must include an assessment of the effect of the Model Subdivision Rules established pursuant to §16.343 of the Water Code and enforcement actions throughout the county and provide the colonia identification number for the colonias that would receive the project benefit.

*Colonia Planning Component*

A portion of the funds will be allocated to two separate biennial competitions for applications that include planning activities targeted to selected colonia areas – (Colonia Area Planning activities), and for applications that include countywide comprehensive planning activities (Colonia Comprehensive Planning activities). Applications received by the 2011 program year application deadline are eligible to receive a grant award from the 2011 and 2012 program year allocations.

In order to qualify for the Colonia Area Planning activities, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

A Colonia Planning activities application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

*(1) Colonia Area Planning Activities*

An eligible county may submit an application for eligible planning activities that are targeted to one or more colonia areas. Eligible activities include:

- payment of the cost of planning community development (including water and sewage facilities) and housing activities;
- costs for the provision of information and technical assistance to residents of the area in which the activities are located and to appropriate nonprofit organizations and public agencies acting on behalf of the residents; and
- costs for preliminary surveys and analyses of market needs, preliminary site engineering and architectural services, site options, applications, mortgage commitments, legal services, and obtaining construction loans.

*(2) Colonia Comprehensive Planning Activities*

To be eligible for these funds, a county must be located within 150 miles of the Texas-Mexico border. The applicant's countywide comprehensive plan will provide a general assessment of the colonias in the county, but will include enough detail for accurate profiles of the county's colonia areas. The prepared comprehensive plan must include the following information and general planning elements:

- Verification of the number of dwellings, number of lots, number of occupied lots, and the number of persons residing in each county colonia
- Mapping of the locations of each county colonia
- Demographic and economic information on colonia residents

- The physical environment in each colonia including land use and conditions, soil types, and flood prone areas
- An inventory of the existing infrastructure (water, sewer, streets, drainage) in each colonia and the infrastructure needs in each colonia including projected infrastructure costs
- The condition of the existing housing stock in each colonia and projected housing costs
- A ranking system for colonias that will enable counties to prioritize colonia improvements rationally and systematically plan and implement short-range and long-range strategies to address colonia needs
- Goals and Objectives
- Five-year capital improvement program
- An assessment of the effect of the Model Subdivision Rules established pursuant to §16.343 of the Water Code and enforcement actions throughout the county
- For any colonia in close proximity to a city, a plan that if implemented could lead to annexation of the colonia by the city

Colonia Planning Component funds may be used for planning purposes under the Colonias to Cities Initiative.

*3b. Colonia Economically Distressed Areas Program (CEDAP) Legislative Set-aside*

The allocation is distributed on an as-needed basis. Eligible applicants are counties, and nonentitlement cities located in those counties, that are eligible under the TxCDBG Colonia Fund, including meeting the geographic requirements, and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the TxCDBG), taps and meters (when approved by the TxCDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

An applicant may not have an existing CEDAP contract open in excess of 48 months and still be eligible for a new CEDAP award.

If there are an insufficient number of TWDB EDAP projects ready for Colonia Economically Distressed Areas Program (CEDAP) funding, the CEDAP funds may be transferred as appropriate.

*3c. Colonia Self-Help Centers Legislative Set-aside*

In accordance with Subchapter Z, Chapter 2306, Government Code, and Title 10, Texas Administrative Code, Part 1, Chapter 3, TDHCA has established self-help centers in Cameron County, El Paso County, Hidalgo County, Starr County, and Webb County. If deemed necessary and appropriate, TDHCA may establish self-help centers in other counties (self-help centers have been established in Maverick County and Val Verde County) as long as the site is located in a county that is designated as an economically distressed area under the Texas Water Development Board Economically Distressed Areas Program (EDAP), the county is eligible to receive EDAP funds, and the colonias served by the center are located within 150 miles of the Texas-Mexico border.

The geographic area served by each self-help center is determined by TDHCA. Five (5) colonias located in each self-help center service area are designated to receive concentrated attention from the center. Each self-help center sets a goal to improve the living conditions of the residents located in the colonias designated for concentrated attention within a two-year period set under the contract terms. TDHCA has the authority to make changes to the colonias designated for this concentrated attention.

The TDHCA grant contract for each self-help center must be executed with the county where the self-help center is located. TDHCA will enter into a Texas Community Development Block Grant Program contract with each affected county. Each county enters into a subcontract with a non-profit community action agency, a public housing authority, or a non-profit organization.

A Colonia Residents Advisory Committee was established and not fewer than five persons who are residents of colonias were selected from the candidates submitted by local nonprofit organizations and the commissioners' court of a county where a self-help center is located. One committee member shall be appointed to represent each of the counties in which a self-help center is located. Each committee member must be a resident of a colonia located in the county the member represents but may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract through the Texas Community Development Block Grant Program. The Advisory Committee shall advise TDHCA regarding:

(1) the needs of colonia residents;

(2) appropriate and effective programs that are proposed or are operated through the centers; and

(3) activities that may be undertaken through the centers to better serve the needs of colonia residents.

The purpose of each center is to assist low income and very low income individuals and families living in colonias located in the center's designated service area to finance, refinance, construct, improve or maintain a safe, suitable home in the designated service area or in another suitable area. Each self-help center may serve low income and very low income individuals and families by:

(1) providing assistance in obtaining loans or grants to build a home;

(2) teaching construction skills necessary to repair or build a home;

(3) providing model home plans;

(4) operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in colonias who are building or repairing a residence or installing necessary residential infrastructure;

(5) helping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a colonia, including potable water, wastewater disposal, drainage, streets and utilities;

(6) surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;

(7) providing credit and debt counseling related to home purchase and finance;

(8) applying for grants and loans to provide housing and other needed community improvements;

(9) providing other eligible services that the self-help center, with TDHCA approval, determines are necessary to assist colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a colonia's area;

(10) providing assistance in obtaining loans or grants to enable an individual or family to acquire fee simple title to property that originally was purchased under a contract for a deed, contract for sale, or other executory contract;

(11) monthly programs to educate individuals and families on their rights and responsibilities as property owners; and

(12) providing access to computers, the internet, and computer training.

A self-help center may not provide grants, financing, or mortgage loan services to purchase, build, rehabilitate, or finance construction or improvements to a home in a colonia if water service and suitable wastewater disposal are not available.

For any award made on or after September 1, 2005, any political subdivision that receives community development block grant program money targeted toward street improvement projects in eligible colonia areas must allocate not less than five percent but not more than 15 percent of the total amount of street improvement money to providing financial assistance to colonias within the political subdivision to enable the installation of adequate street lighting in those colonias if street lighting is absent or needed.

*3d. Colonias to Cities Initiative*

If there are an insufficient number of TWDB EDAP projects ready for Colonia Economically Distressed Areas Program (CEDAP) funding, the CEDAP funds may be transferred to the Colonias to Cities Initiative. This initiative will provide funding for basic infrastructure considered necessary for a colonia area to be annexed by an adjoining city. Priority would be for colonias that have received prior TxCDBG funding. Both the county and city must submit a multi-jurisdictional pre-application for the project that includes a resolution from each jurisdiction. The city's resolution must include a firm commitment to annex the colonia upon completion of the project. Multi-jurisdictional applications from the county and city would be accepted by invitation only after a thorough review of the pre-applications. Failure to annex the colonia may result in a requirement to repay the CDBG funding to TxCDBG. The maximum amount provided would be $500,000. (The Colonia Construction component scoring would be used to prioritize funding if needed. The TxCDBG may establish other criteria in the application guidelines.)

In addition, the initiative may involve a planning component that would use the Colonia Area Planning activities guidelines.

*4. Planning And Capacity Building Fund*

This fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). All planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply contingency plans and water conservation plans.

A significant increase or decrease to the State's 2012 CDBG allocation may result in corresponding increases or decreases to the 2012 Planning and Capacity Building Fund allocations.

*5. Disaster Relief/Urgent Need Fund*

Disaster Relief assistance is available through this fund as needed for eligible activities in relief of disaster situations where either the Governor has proclaimed a state disaster declaration or the President has issued a federal disaster declaration. TxCDBG may prioritize throughout the program year the use of Disaster Relief assistance funds based on the type of assistance or activity under consideration and may allocate funding throughout the program year based on assistance categories. Priority for the use of TxCDBG funds is repair and restoration activities to meet basic human needs, such as water and sewer facilities, housing, and roads.

Urgent Need assistance is contingent upon the availability of funds for activities that will restore water or sewer infrastructure whose sudden failure has resulted in death, illness, injury, or pose an imminent threat to life or health within the affected applicant's jurisdiction. The infrastructure failure must not be the result of a lack of maintenance and must be unforeseeable. As an initial step, TxCDBG undertakes an assessment of whether the situation is reasonably considered unforeseeable. An application for Urgent Need assistance will not be accepted by the TxCDBG until discussions between the potential applicant and representatives of the TxCDBG, the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB) have taken place. Through these discussions, a determination shall be made whether the situation meets TxCDBG Urgent Need threshold criteria; whether shared financing is possible; whether financing for the necessary improvements is, or is not, available from the TWDB; or that the potential applicant does, or does not, qualify for TWDB assistance. If TxCDBG funds are still available, a potential applicant that meets these requirements will be invited to submit an application for Urgent Need funds.

To qualify for Disaster Relief funds:

- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Disaster Relief assistance, this means that the application for assistance must be submitted no later than 12 months from the date of the Presidential or Governor's declaration.
- Under Disaster Relief, funds will not be provided under FEMA's Hazard Mitigation Grant Program for buyout projects unless TxCDBG receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain area.
- Each applicant for these funds must demonstrate that adequate local funds are not available, i.e., the entity has less than six months of unencumbered general operations funds available in

its balance as evidenced by the last available audit required by state statute, or funds from other state or federal sources are not available to completely address the problem.

- TxCDBG will consider whether funds under an existing TxCDBG contract are available to be reallocated to address the situation.
- The distribution of these funds will be coordinated with other state agencies.

To qualify for Urgent Need funds:

- The situation addressed by the applicant must not be related to a proclaimed state disaster declaration or a federal disaster declaration.
- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government (e.g., not for facilities or equipment beyond their normal, useful life span).
- The problem being addressed must be of recent origin. For Urgent Need assistance, this means that the situation first occurred or was first discovered no more than 30 days prior to the date that the potential applicant provides a written request to the TxCDBG for Urgent Need assistance. The Urgent Need Fund will not fund projects to address a situation that has been known for more than 30 days or should have been known would occur based on the applicant's existing system facilities.
- Each applicant for these funds must demonstrate that local funds or funds from other state or federal sources are not available to completely address the problem.
- The distribution of these funds will be coordinated with other state agencies.
- The infrastructure failure cannot have resulted from a lack of maintenance.
- Urgent Need funds cannot be used to restore infrastructure that has been cited previously for failure to meet minimum state standards.
- The infrastructure failure cannot have been caused by operator error.
- The infrastructure requested by the applicant cannot include back-up or redundant systems.
- TxCDBG will consider whether funds under an existing TxCDBG contract are available to be reallocated to address the situation.
- The Urgent Need Fund will not finance temporary solutions to the problem or circumstance.

Construction on an Urgent Need fund project must begin within ninety (90) days from the start date of the TxCDBG contract. The TxCDBG reserves the right to deobligate the funds under an Urgent Need Fund contract if the grantee fails to meet this requirement.

Each applicant for Urgent Need funds must provide matching funds. If the applicant's 2000 Census population is equal to or fewer than 1,500 persons, the applicant must provide matching funds equal to 10 percent of the TxCDBG funds requested. If the applicant's 2000 Census population is over 1,500 persons, the applicant must provide matching funds equal to 20 percent of the TxCDBG funds requested. For county applications where the beneficiaries of the water or sewer improvements are located in unincorporated areas, the population category for matching funds is based on the number of project beneficiaries.

*6. TxCDBG STEP Fund*

Funds will be available for grants on a competitive award basis to cities and counties to provide grant assistance to cities and communities recognizing the need and willingness to solve water and sewer problems through the Texas Small Towns Environment Program (STEP) self-help techniques. The program will accept applications two times a year and utilize a competitive process to evaluate, score and award these projects.

Cities and counties receiving 2011 and 2012 Community Development Fund grant awards for applications that did not include water, sewer, or housing activities are not eligible to receive a 2011

STEP Fund grant award. However, the TxCDBG will give consideration to a city's or county's request to transfer funds (that are not financing basic human needs activities such as water, sewer, or housing activities) under a 2011 or 2012 Community Development Fund grant award to finance water and sewer activities that will be addressed through self-help.

The Texas STEP approach to solving water and sewer needs recognizes affordability factors related to the construction and operations/maintenance of the necessary water or sewer improvements and then initiates a local focus of control based on the capacity and readiness of the community's residents to solve the problem through self-help. By utilizing the community's own resources (human, material and financial), the necessary water or sewer construction costs, engineering costs, and related administration costs can be reduced significantly from the cost for the installation of the same improvements through conventional construction methods.

TxCDBG staff will provide guidance, assistance, and support to community leaders and residents willing to use self-help to solve their water and sewer problems.

*Eligible Activities*

For the TxCDBG STEP Fund eligible activities are limited to:

- the installation of facilities to provide first-time water or sewer service
- the installation of water or sewer system improvements
- ancillary repairs related to the installation of water and sewer systems or improvements
- the acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.)
- sewer or water taps and water meters
- water or sewer yard service lines (for low and moderate income persons)
- water or sewer house service connections (for low and moderate income persons)
- plumbing improvements associated with providing water or sewer service to a housing unit
- water or sewer connection fees (for low and moderate income persons)
- rental of equipment for installation of water or sewer
- reasonable associated administrative costs
- reasonable associated engineering services costs

*Ineligible Activities*

- any activity not described in the preceding ELIGIBLE ACTIVITIES section is ineligible under the TxCDBG STEP Fund unless the activity is approved by the Texas Community Development Block Grant Program
- temporary solutions, such as emergency inter-connects that are not used on an on-going basis for supply or treatment and back-ups not required by the regulations of the Texas Commission on Environmental Quality.

The TxCDBG will not reimburse for force account work for construction activities on the STEP project.

*Funding Cycle*

Applications are accepted two times a year for Texas STEP Funding as long as funds are available. Funds will be divided among the two application periods. After all projects are ranked, only those that can be fully funded will be awarded a grant. There will be no marginally funded grant awards.

The TxCDBG will not accept an application for STEP Fund assistance until TxCDBG staff and representatives of the potential applicant have evaluated the self-help process and TxCDBG staff determine that self-help is a feasible method for completion of the water or sewer project, the community is committed to self-help as the means to address the problem, and the community is ready and has the capacity to begin and complete a self-help project. If it is determined that the community meets all of the STEP criteria then an invitation to apply for funds will be extended to the community and the application may be submitted.

*Threshold Criteria*

The self-help response to water and sewer needs may not be appropriate in every community. In most cases, the decision by a community to utilize self-help to obtain needed water and sewer facilities is based on the community's realization that it cannot afford even a "no frills" water or sewer system based on the initial construction costs and the operations/maintenance costs (including debt service costs) for water or sewer facilities installed through conventional financing and construction methods.

The following are threshold requirements for the Texas STEP framework. Without all these elements the project will not be considered under the Texas STEP fund:
1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort;
2) readiness—local perception of the problem and the willingness to take action to solve it;
3) capacity— manpower including some skills required to solve the problem and operate applicable construction equipment;
4) 40% Savings off of retail price; and
5) must be performed predominately by community volunteer workers.

To be eligible for additional STEP awards, an applicant must have demonstrated to TxCDBG management that its existing STEP contracts are currently being implemented on schedule in accordance with the applicable contracts and in accordance with any TxCDBG-approved allowances.

Upon completion of the project, the award recipient will be required to certify that work was performed predominately by community volunteer workers and a minimum of 40 percent savings off of retail prices was maintained (or the savings percentage specified in the application if greater).

Some of the key points staff will review for these thresholds include but are not limited to the following:

1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort; Leaders that have been identified and agreed on by the community:

- at least two of the three sparkplugs must be residents and not local officials (local officials may serve as sparkplugs)
- one should be detailed enough to maintain the paperwork needed for the project
- one should have some knowledge or skills to lead the self-help effort
- And one can have a combination of these skills or just be the motivator and problem solver of the group

  These are not absolutes but the best scenario for any project.

2) readiness—local perception of the problem and the willingness to take action to solve it:

- a strong local perception of the problem
- community perception that local implementation is the best and maybe only solution
- community has confidence that they can do it adequately
- community has no strong competing priority
- local government is supportive and understands the urgency

- public and private willingness to pay additional costs if needed (fees, hook-ups for churches, other)
- effort and attention have already been given to local assessment of the problem
- enthusiastic, capable support by the community from the county or regional field staff of the regulatory agency

3) capacity– manpower including some skills required to solve the problem:

- Skilled workers within the community (heavy equipment operation, pipe laying, electrician, plumber, engineer, water operator, construction skills)
- List of Volunteers by task
- Possible equipment in community (not a requirement)
- Letters stating support from local businesses in form of donation of supplies or manpower
- Letter from service provider supporting project and agreeing to provide service
- CPA Letter documenting that the applying locality has financial and management capacity to compete project

4) 40% Savings off of retail price.

Documentation of the 40% savings off of the retail price:

- Two engineering break-outs of cost, one that shows the retail construction cost and another that shows the self-help cost and demonstrates the 40% savings
- Back-up documents of material quotes, pledges of equipment
- List of Volunteers by task
- Determination of appropriate technology and feasibility of project. (letter from engineer)

Pilot Programs:

Renewable Energy Demonstration Pilot Program (Using Deobligated and/or Program Income)

The TxCDBG will develop a renewable energy pilot program funded solely through deobligated funds / program income for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. It is anticipated that the projects funded would meet the National Objective of benefiting a “target area” where at least 51 percent of the residents are low and moderate income persons, although the project would be allowed to qualify under other National Objective alternatives. The maximum amount of the project would be $500,000 and the minimum would be $50,000.

The projects will be selected on the following basis (which are assigned points under Section IV(C)(6) of this Action Plan):
(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.
(B) Innovative Technology/Methods – A project that would demonstrate the application of innovative technology and/or methods.
(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost/benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.
(E) Partnership/Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.
(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – percent of portion of total project receiving TxCDBG funds is leveraged with other funds.
(G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 or counties under 100,000.

*Community Facility Fund*

Purpose: The purpose of this community enhancement program is to provide one project to benefit a community in each of the 24 Councils of Governments (COG) regions over the PY 2011/2012 period and beyond if necessary based on available funding. This program is designed to sustain the smallest of the rural communities within Texas. The project must be a community facility project that would have the potential to benefit all citizens with the jurisdiction. It must not involve providing basic infrastructure nor be a recreational project, as determined by TxCDBG staff. The project may include connections to existing infrastructure. (A community center could hold recreational activities or events within the facility.) The community facilities must provide a benefit that will enhance the overall quality of life in the rural community. (While the project to be funded may not be considered a recreational project, the design may provide for an incidental amount of recreational facilities that would be constructed using other sources of funding in another future phase. The initial phase funded under this program may not include construction of any recreational facilities.)

Amount available for each COG region and each award: $250,000. If a city has as part of its application a resolution in support of the project from the county where it is located, the maximum application amount, and amount available to the region, will be $300,000. (A county that meets the LMI percentage requirement that is submitting an application on its own behalf may receive up to $300,000.) The TxCDBG staff will select at random the initial regions that may apply in PY 2011. The remaining regions would be the eligible applicants in PY 2012 and subsequent program years, if necessary based on available funding.

Source of funding: Funding will be provided from deobligated funds, program income, or other external sources.

Eligibility requirements: The applicant must meet the Low and Moderate Income (LMI) national objective for its entire jurisdiction (at least 51 percent LMI). The TxCDBG may establish other national objective criteria. Additional requirements may be specified in the application. The applicant must demonstrate that it has the financial resources to sustain the operation and maintenance of the facility.

Pre-application: The applicant must submit a pre-application for initial eligibility determination. Application will be by invitation to those entities that meet the pre-application eligibility requirements. Additional details and requirements may be established in the pre-application and application.

## C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY

The U.S. Department of Housing and Urban Development has not yet announced the State's 2010 nor 2011 program year CDBG allocation. The State's 2011 allocation could be lower than the 2010 allocation of $79,264,729.

The amount available for TxCDBG assistance will be the 2011 State CDBG allocation amount plus an estimated $2,500,000 in program income. Funds will be allocated according to the following percentages of the State's 2011 allocation upon the execution of the grant agreement with HUD:

| FUND | 2011 PERCENT | AMOUNT AVAILABLE |
|---|---|---|
| Community Development Fund | 61.71 [4] | |
| Texas Capital Fund (TCF) | 14.51 | |
| Program Income from TCF | | $ 2,000,000 [5] |
| Colonia Fund | | |
| Colonia Planning and Construction Fund | 7.26 | |
| Colonia EDAP Legislative Set-aside | 2.74 [6] | |
| Colonia Self-Help Centers Legislative Set-aside | 2.50 | |
| Planning And Capacity Building Fund | 1.0 | |
| Disaster Relief/Urgent Need Fund | | |
| Disaster Relief | 4.10 | |
| Urgent Need | 0 [7] | |
| TxCDBG STEP Fund | 3.04 | |
| Administration - Percentage | Up to 3 [8] | |
| Administration - $100,000 | 0.1370 | |
| Technical Assistance | 3 less admin percent [9] | |
| Pilot Programs (Deobligated Funds/ Program Income): | | |
| Renewable Energy Demonstration Pilot | 0 [10] | |

[4] Allocated to each region based on Section II (B).
[5] Used based on Section II (C) (a)
[6] May be transferred for other projects benefiting Colonias if there are an insufficient number of EDAP-eligible projects ready for CEDAP connection funding
[7] Deobligated funds and/or program income sufficient to replenish to $1,000,000 is made available for the Urgent Need Fund on the first day of PY 2010. Based on a TxCDBG Program determination of respective demand for financial assistance under the Urgent Need and Disaster Relief portions of the Disaster Relief/Urgent Need Fund, Urgent Need funds may be used for Disaster Relief projects.
[8] Fungible – May be adjusted per statutory CDBG rules.
[9] Fungible – May be adjusted per statutory CDBG rules.
[10] Deobligated funds and/or program income of $500,000 is made available on the first day of PY 2010.

| FUND | 2011 PERCENT | AMOUNT AVAILABLE |
|---|---|---|
| Program | | |
| Other Program Income: | | $ 500,000 |

Note: The percentages shown above are based on the State's actual 2010 allocation percentages. Changes to the above percentages may occur if the State's 2011 CDBG allocation is higher or lower than the 2010 allocation of $79,264,729.

*Summary of Activities That Utilize 1% Technical Assistance Funding*

Timely Expenditure Initiative – Pilot Program for the Community Development Fund

As a pilot program, the TxCDBG will establish a program that provides an opportunity for the reimbursement of additional demonstrated costs incurred to complete the project activities earlier than the regular contract implementation schedule based on all of the following criteria.

At the 12-month point in the contract, the grant recipient must email TxCDBG a certification statement informing TxCDBG whether it has started construction on any contract activity. This certification statement must arrive prior to the end of the 12th month from the original contract start date;

All construction funded with TxCDBG funds must be completed and 90 percent of the TxCDBG budget must be requested from TxCDBG for eligible costs with acceptable supporting documentation not later than 60 days earlier than the original contract end date;

The TxCDBG will consider reimbursement of up to one percent (1%) of the TxCDBG funds budgeted for construction and acquisition/relocation for additional demonstrated costs incurred to complete the project activities 60 days earlier than the original contract end date;

The opportunity to receive any additional reimbursement under this program will automatically end without any further action being necessary by either party to the TxCDBG contract and it will no longer be possible to be considered regardless of circumstances for reimbursement of any additional costs under this program after a date 60 days prior to the end of the original contract period;

These funds cannot replace local funds already provided for activity delivery costs or local administration;

The reimbursement is contingent on available TxCDBG funds at the time; and

TxCDBG may use either annual allocation funds, deobligated funds, or program income to fund these additional costs incurred.

Examples of eligible costs include: additional contacts made with other entities involved in the TxCDBG contract activities, additional monitoring of the status of the TxCDBG-funded activities; attendance at additional meetings directly related to the TxCDBG-funded activities, and other additional activity delivery costs.

Technical Assistance Performed Through the Community Development Program

The Texas Community Development Block Grant Program will conduct numerous on-site technical assistance visits funded with the one percent technical assistance (TA) set-aside approved by HUD. These visits will be conducted throughout the year when the TxCDBG staff recognizes that assistance is needed at the local level or when assistance is requested by the grantees.

TxCDBG Community Development staff, including TDRA field office staff, will visit localities that are preliminarily recommended for funding to verify information provided in the applications, to view the project sites, to distribute Project Implementation Manuals, and to provide technical assistance regarding the initial TxCDBG project implementation procedures.

Other technical assistance visits will be conducted with TA funds for special cases dealing with investigations, compliance issues, and to help contractor localities comply with all program requirements.

The TA funds are utilized for a portion of staff salaries which allows TxCDBG staff to provide greater one-on-one technical assistance to the small communities throughout the contract period.

The Texas Department of Agriculture is using technical assistance funds for on-site technical assistance on the Texas Capital Fund program.

The Texas Department of Housing and Community Affairs is using technical assistance funds for on-site technical assistance on the Colonia Self-Help Centers program.

The TxCDBG is utilizing the technical assistance funds to introduce, facilitate, and provide community access to the Texas Small Towns Environment Program (Texas STEP) which targets water and wastewater needs. Staff visits localities that are interested in utilizing the Texas STEP method of self-help and provides technical assistance on the development of a financial framework, managing a self-help project and building capacity within a community through self-help.

The TxCDBG may utilize the technical assistance funds to support TxCDBG activities related to TDRA's disaster relief efforts. State efforts for response to disasters and the mitigation of the consequences of disasters have required that TDRA dedicate considerable resources for disaster recovery efforts.

In 2011, the TxCDBG will use a portion of the technical assistance to provide outreach information regarding the CDBG program to local officials of non-entitlement cities and counties. The technical assistance will include information on the application process, program administration, and to improve their capacity to implement a CDBG program.

The technical assistance funds will also be used by each of the 24 State Planning Regions to provide non-project specific technical assistance to cities and counties that are eligible for TxCDBG funds in each region.

The technical assistance funds may be used to support the operations of the border colonia technical assistance field offices.

The technical assistance funds may be used to support the operations of TDRA's technical assistance field offices in West Texas, South Texas (two offices), Central Texas, and East Texas and other TDRA Community Development-related field office activities.

Deobligated Funds, Unobligated Funds, and Program Income

(a) Deobligated funds, unobligated funds and program income generated by Texas Capital Fund projects shall be retained for expenditure in accordance with the Consolidated Plan. Program income derived from Texas Capital Fund projects will be used by the TxCDBG for eligible Texas Community Development Block Grant Program activities in accordance with the Consolidated Plan.

Any deobligated funds, unobligated funds, program income, and unused funds from this year's allocation or from previous years' allocations derived from any Texas Community Development Block Grant Program Fund, including program income recovered from Texas Capital Fund local revolving loan funds, and any reallocated funds which HUD has recaptured from Small Cities may be redistributed among the established 2011 program year fund categories, for otherwise eligible projects. The selection of eligible projects to receive such funds is approved by the Executive Director and the TDRA Board on a priority needs basis with eligible disaster relief and urgent need projects as the highest priority, followed by, established priority uses within existing fund categories or programs, any awards necessary to resolve appeals under fund categories covered by Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255.1(g), TCF projects, special needs projects, projects in colonias, housing activities, and other projects as determined by the Executive Director of TDRA. Other purposes or initiatives may be established as a priority use of such funds within existing fund categories or programs by the TDRA Board.

If a portion of the State's 2011 Community Development Block Grant allocation is rescinded by the federal government, or if the State's 2011 allocation is decreased or increased significantly from the State's 2010 allocation, the TxCDBG may make corresponding changes within the fund allocation percentages as required.

(b) Re-distribution of Funds Recaptured from Withdrawn Awards. Should the applicant fail to substantiate or maintain the claims and statements made in the application upon which the award is based, including failure to maintain compliance with application thresholds in Section III, F.(1) through F.(4), within a period ending 90 days after the date of the TxCDBG's award letter to the applicant, the award will be immediately withdrawn by the TxCDBG (excluding the colonia self-help center awards). Should the applicant fail to execute the TxCDBG's award contract (excluding Texas Capital Fund and colonia self-help center contracts) within 60 days from the date of the letter transmitting the award contract to the applicant, the award will be withdrawn by the TxCDBG. For an award that is withdrawn from an application, the TxCDBG follows different procedures for the use of those recaptured funds depending on the fund category where the award is withdrawn.

(1) Funds recaptured under the Community Development Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other TxCDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(2) For the Community Development Fund, if there are no remaining unfunded eligible applications in the region from the same biennial application period to receive the withdrawn funding, then the withdrawn funds may be used for other TxCDBG fund categories and, if unallocated to another fund, are considered as deobligated funds, subject to the procedures described in paragraph (a) of this section.

(3) Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive an award from the first year allocation. Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year allocation. Any funds remaining from the second year allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the statewide competition. Any funds remaining from the second year allocation that are not accepted by an applicant from the statewide competition or that are not offered to an applicant from the statewide competition may be used for other TxCDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(4) Funds recaptured under the Colonia Planning and Construction Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other TxCDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(5) Funds recaptured under the Colonia Economically Distressed Areas Program Legislative Set-Aside from the withdrawal of an award remain available to potential Colonia Economically Distressed Areas program set-aside applicants during that program year. Any funds remaining from the program year allocation that are not used to fund Colonia Economically Distressed Areas Program set-aside applications within twelve months after the TxCDBG receives the federal letter of credit would remain available to potential Colonia Program Fund applicants during that program year to meet the 10

percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other TxCDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(7) Funds recaptured under the program year allocation for the Disaster Relief/Urgent Need Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(8) Funds recaptured under the Small Towns Environment Program (STEP) Fund from the withdrawal of an award will be made available in the next round of STEP competition following the withdraw date in the same program year. If the withdrawn award had been made in the last of the two competitions in a program year, the funds would go to the next highest scoring applicant in the same STEP competition. If there are no unfunded STEP applicants, then the funds would be available for other TxCDBG fund categories. Any unallocated STEP funds are subject to the procedures described in paragraph (a) of this section.

(9) Funds recaptured under the Texas Capital Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

*D. PROGRAM INCOME*

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. When program income is generated by an activity that is only partially funded with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used. Any remaining program income must be used to establish an approved Revolving Loan Fund (RLF) or returned to the State.

The State may use up to the maximum allowable percentage of the amount recaptured and reportable to HUD each year for administrative expenses under the Texas Community Development Block Grant Program. This amount will be matched by the State on a dollar-for-dollar basis.

Program income includes, but is not limited to, the following:

- Payments of principal and interest on loans using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient with CDBG funds
- Gross income from the use, sale, or rental of real property and/or real property improvements owned by the unit of general local government or subrecipient that was constructed or improved with CDBG funds
- Gross income from the use of infrastructure improvements constructed or improved with CDBG funds
- Funds collected through special assessments, impact fees or other additional fees from benefiting businesses, if the special assessments or fees are used to recover all or part of the CDBG portion of public improvements
- Proceeds from the disposition of equipment purchased with CDBG funds
- Interest earned on funds held in an RLF account

*1. Texas Capital Fund Program Income*

For program income generated through Texas Capital Fund projects, communities that elect to participate in the recapture of program income for use at the local level through a designated Revolving Loan Fund (RLF) will be limited to receiving one Texas Capital Fund contract award per program year. If a community elects not to participate in the recapture of program income, the community may apply for as many Texas Capital Fund awards as it has eligible projects. This determination must be made at the time of the original award and cannot be changed with subsequent awards.

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the TxCDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the TxCDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original TxCDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/TxCDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state. This section, “Texas Capital Fund Program Income,” replaces the Texas Capital Fund Program Income Sections of the Final Statements for program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995 and affects all TCF local revolving loan funds established by contracts awarded in program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995. The following provisions, however, do not apply: 1) “The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to TxCDBG approval of an RLFP must be returned to the State.” 2) “...every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived.” 3) “...contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state.”

*2. Program Income Generated Through Housing Activities*

For program income generated through housing activities funded through the Housing Fund or TxCDBG fund categories other than the Texas Capital Fund, a local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the TxCDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for housing activities principally benefiting low to moderate income persons in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended.

The RLFP must be submitted for approval at least sixty (60) days prior to the termination date of the contract award generating the program income. This requirement shall also apply to 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Housing Fund contract awards. Program income generated by the contract award prior to TxCDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original TxCDBG contract programmatic close date. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report the amount of program income recaptured to the state with updates concerning the status of outstanding loans or leases on a quarterly basis, including but not limited to payments received and amendments to the original loan or lease agreement, as required by the TxCDBG.

If the local government elects not to participate in program income recapture or an RLFP is not approved prior to the contract close-out, then all program income must be returned to the TxCDBG.

# III. APPLICATION INFORMATION

### *A. TYPES AND NUMBER OF APPLICATIONS*

The following two types of applications are permitted under the Texas Community Development Block Grant Program:

*1. Single Jurisdiction Applications*

An eligible applicant may submit one application on its own behalf. When certain situations exist, which will be defined in TxCDBG application guides, an eligible city may submit an application which benefits persons residing inside of the extraterritorial jurisdiction of the city, and a county may submit a single jurisdiction application on behalf of a city. The submitting city or county is accountable to the TxCDBG for financial compliance and program performance. If a city or county submits a single jurisdiction application, or its residents are the beneficiaries of a single jurisdiction application, then the city or county cannot participate in another single jurisdiction or multi-jurisdiction application for the same funding category. Local accountability cannot be assigned to another party.

An application from an eligible city or county for a project that would primarily benefit another city or county that was not meeting the TxCDBG application threshold requirements would be considered ineligible.

*2. Multi-Jurisdiction Applications*

Multi-Jurisdiction applications will be accepted from two or more eligible units of general local government where the application clearly demonstrates that the proposed activities will mutually benefit the residents of the city(ies)/county(ies) applying for such funds. One of the participating units of general local government must be designated to act as the authorized applicant for the multi-jurisdiction application and the authorized applicant is accountable to the TxCDBG for financial compliance and program performance; however, all entities participating in the multi-jurisdiction application will be accountable for application threshold compliance. A multi-jurisdiction application generally cannot be submitted solely on the basis of administrative convenience. Any city or county participating in a multi-jurisdiction application may not submit a single jurisdiction application for the same funding category.

Under the Community Development Fund regional competitions, a multi-jurisdiction application that includes participating units of general local government from more than one state planning region will compete in the regional competition where the majority of the application activity beneficiaries are located.

*B. APPLICATION CYCLES*

Based on the support from cities and counties for previous biennial funding cycles, applications for the Community Development, Colonia Planning and Construction Fund, and Planning and Capacity Building Fund will be accepted on a biennial basis. The biennial funding cycles for these fund categories will improve the timeliness of the expenditure of CDBG funds and therefore prove more cost effective.

The following table summarizes the proposed frequency of application submission for various application types. The application deadline dates are subject to change:

| TYPE OF APPLICATION | SUBMISSION CYCLE | APPLICATION DEADLINE |
|---|---|---|
| 1. Community Development Fund | **Biennial**[1] | **September 30, 2010** |
| 2. Texas Capital Fund | | |
| Real Estate Program | Continuous | |
| Infrastructure Program | Continuous | |
| Main Street Program | Annually | |
| Downtown Revitalization Program | Annually | |
| 3. Colonia Fund: | | |
| Planning and Construction Fund | Biennial | **November 2010** |
| EDAP Set-aside | As-needed | |
| 4. Planning/Capacity Building Fund | **Biennial**[1] | **September 30, 2010** |
| 5. Disaster Relief/Urgent Need Fund: | | |
| Disaster Relief | As needed | |
| Urgent Need2 | By notification | |
| 6. TxCDBG STEP Fund | Two times annually | |
| Renewable Energy Demonstration Pilot Program | As announced, at least once annually. | |

1 The applications submitted for the program year 2011 Community Development Fund and Planning and Capacity Building Fund as part of the 2011/2012 biennial application process will be scored and ranked. Applications will be funded to the extent that allocated 2011 funds are available. Applications submitted for the Colonia Planning and Construction Fund will be scored and ranked. The final 2011 program year rankings under the Community Development Fund, Planning and Capacity Building Fund, Colonia Planning and Construction Fund will be used to determine the 2011 applicants that are selected for funding from the 2012 program year allocations. Only one application may be submitted for the combined 2011 program year and 2012 program year period under the Community Development Fund, Colonia Construction component, Colonia Planning component, and the Planning and Capacity Building Fund.

*C. CONTRACT AWARDS*

With the qualified exceptions of the Texas Capital Fund, Colonia Fund, and Disaster Relief/Urgent Need Fund, an applicant is eligible to receive only one grant award per fund. Maximum and minimum contract awards for any single project allowable under the Texas Community Development Block Grant Program are:

CONTRACT AWARD

| FUND | MAXIMUM | MINIMUM |
|---|---|---|
| **Community Development Fund** | | |
| Single Applicant | $ 800,000[1] | $ 75,0001 |
| Multi-Jurisdiction Application | $ 800,000[1] | $ 75,0001 |
| **Texas Capital Fund** | | |
| Real Estate Program | $ 750,000[2] | $ 50,000 |
| Infrastructure Program | $ 750,000[2] | $ 50,000 |
| Main Street Program | $ 150,000[3] | $ 50,000 |
| Downtown Revitalization Program | $ 150,000[3] | $ 50,000 |
| **Colonia Fund** | | |
| Construction Fund Component | $ 500,000 | $ 75,000 |
| EDAP Set-aside | $ 500,000 | None |
| Area Planning Component | $ 100,000[4] | None |
| Comprehensive Planning Component | $ 100,000[4] | None |
| | Or $30,000[4] | |
| **Planning/Capacity Building Fund** | $ 55,000 | None |
| **Disaster Relief/Urgent Need Fund** | | |
| Disaster Relief Fund | $ 350,000 | $ 50,000 |
| Urgent Need Fund | $ 250,000 | $ 25,000 |
| **TxCDBG STEP Fund** | $ 350,000 | None |
| *Renewable Energy Demonstration Pilot* | $ 500,000 | $ 50,000 |

1. Regional Review Committees are authorized to establish a grant maximum for their respective regions between $275,000 or in an amount equal to 12.5% of its combined 2009 and 2010 allocation, whichever is less, and $800,000 for a single jurisdiction application and between $350,000 and $800,000 for a multi-jurisdiction application. TxCDBG may grant an exception to the minimum level if funds are distributed among all eligible applicants. In order to ensure there are sufficient funds in the CDBG award to provide a substantial benefit and to provide for construction efficiencies, RRCs should not prioritize application amounts lower than the maximum above or $200,000, whichever is lower.

The maximum amount for a housing or non-border colonia priority activity application is the same as other Community Development Fund applications in the region.

2 The maximum contract award amount allows for administrative costs as outlined in the Texas Capital Fund Application Guidelines. The maximum award amount may be increased to an amount greater than $750,000, but may not exceed $1,000,000, if a unit of local government is applying for an award to provide infrastructure or real estate development improvements on behalf of a specific business, and that specific business will create or retain a designated number of jobs at a cost per job level that qualifies for the increased award amount. These increased award amounts are referred to as “jumbo” awards. The number of jobs, the cost per job, and the maximum percentage of Texas Capital Fund financing of the total project costs that will qualify an application for the increased award amount will be defined in Texas Capital Fund Application Guidelines. Texas Capital Funds are not specifically reserved for projects that could receive up to the $1,000,000 increased maximum grant amount, however, projects that receive an amount greater than $750,000 may not exceed $2,000,000 in total awards during the program year.

3 Texas Capital Funds are specifically reserved for Main Street and the Downtown Revitalization infrastructure activities. The maximum award amount for a Main Street or Downtown Revitalization project is $150,000. Main Street Program projects may not exceed $600,000 in total awards. The Downtown Revitalization Program projects may not exceed $1,200,000 in total awards.

4 The maximum grant award for the Colonia Comprehensive Planning component is set at $100,000. However, a sliding scale may be used to establish smaller maximum grant amounts based on an amended performance statement or the eligible county’s total unincorporated area population. The maximum amount for a county to update its existing Colonia Comprehensive plan is $30,000.

Amounts shown are maximum funding levels or contract "ceilings," since the Program can fund only the actual, allowable, and reasonable costs of the proposed project, not to exceed these amounts. All grants, except Texas Capital Fund, awarded under the Texas Community Development Block Grant Program are subject to negotiation between TDRA and the applicant regarding the final grant amount. Texas Capital Fund applications are subject to negotiation between the Texas Department of Agriculture and the applicant regarding the final award amount.

### *D. PROJECT LENGTH*

All funded projects, except the Texas Capital Fund and Colonia Self-Help Centers Fund projects, must be completed within two years from the start date of the contract agreement. STEP contracts for awards made in PY 2011 will continue to be for a twenty-four (24) month term with no automatic extension to 36 months, which is the same as PY 2009 and 2010 STEP awards. The Texas Capital Fund Main Street and Downtown Revitalization program awards will be made for a twenty-four (24) month term. The other Texas Capital Fund programs must be completed within three years from the start date of the contract agreement. Contract end dates for Colonia Self-Help Center contracts may be adjusted to account for each program year award. Waivers through a contract amendment of these requirements for any TxCDBG contract will only be granted when a waiver request is submitted in writing to TDRA or

TDA (for Texas Capital Fund contracts) and TDRA or TDA finds that compelling circumstances exist outside the control of the local government that justify the approval of such a waiver.

## *E. REVIEW PROCESS*

### *1. Regional Review Committees (RRC) - Composition*

There is a Regional Community Development Review Committee in each of the 24 state planning regions. Each committee will be comprised of 12 members appointed at the pleasure of the Governor.

The Regional Review Committees may review and comment on applications to other TxCDBG fund categories.

### *2. Texas Capital Fund Review Process*

The Texas Capital Fund applications will be reviewed and evaluated by Texas Department of Agriculture staff in accordance with the established selection criteria. Recommendations will be made to the Commissioner of the Texas Department of Agriculture for final award.

### *3. Clearinghouse Review*

Regional review of projects will be consistent with guidelines adopted by the Governor's Office for review and comment under the Texas Review and Comment System and Chapter 391, Texas Local Government Code.

### *4. Regional Water Plans*

Water activities included in TxCDBG applications must be consistent with Regional Water Plans promulgated in accordance with Section 16.053, Water Code.

## *F. APPLICANT THRESHOLD AND PAST PERFORMANCE REQUIREMENTS*

A city or county must meet the following requirements in order to submit an application or to receive funding through the Texas Community Development Block Grant Program:

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
   a. Provide the roles and responsibilities of local staff designated to administer or work on the proposed project. Also, include a plan of project implementation;
   b. Indicate intention to use a third-party administrator, if applicable;
   c. If local staff, along with a third-party administrator, will jointly administer the proposed project, the respective roles and responsibilities of the designated local staff; or
   d. TxCDBG management may determine that an applicant has or does not have the capacity to manage and administer the proposed project based on an applicant’s prior performance on a TxCDBG contract.

2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:
   a. Evidence of a financial person on staff, or evidence of intent to contract financial oversight;

b. Provide evidence or a statement certifying that financial records for the proposed project will be kept at an officially designated city/county site, accessible by the public, and will be adequately managed on a timely basis using generally accepted accounting principles; and/or

c. TxCDBG management may determine that an applicant has or does not have the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project based on a review of audited financial records, current financial status, or current financial management of a TxCDBG contract.

3. Levy a local property (ad valorem) tax or local sales tax option.

4. Demonstrate satisfactory performance on all previously awarded Texas Community Development Block Grant Program contracts, by using the following criteria:
   a. Exhibited past responses to audit and monitoring issues (over the most recent 48 months before the application due date) within prescribed times as indicated in TDRA's resolution letter(s);
   b. Evidence related to past contracts (over the most recent 48 months before the application due date), through close-out monitoring and reporting, that the activity or service was made available to all intended beneficiaries, that low and moderate income persons were provided access to the service, or there has been adequate resolution of issues regarding beneficiaries served.
   c. No outstanding delinquent response to a written request from TxCDBG regarding a request for repayment of funds to TxCDBG; or
   d. Not more than one outstanding delinquent response to a written request from TxCDBG regarding compliance issues such as a request for closeout documents or any other required information.

5. Resolve any and all outstanding compliance and audit findings on previous and existing Texas Community Development Block Grant Program contracts, by using the following criteria:
   a. Applicant is actively participating in the resolution of any outstanding audit and/or monitoring issues by responding with substantial progress on outstanding issues within the time specified in the TDRA resolution process.

6. Submit any past due audit to TDRA in accordance with Title 10, Chapter 255, Subchapter A, Section 255.1 of the Texas Administrative Code.
   a. A community with one year's delinquent audit may be eligible to submit an application for funding by the established deadline, but the Tx CDBG may withhold the award or issuance of a contract until it receives a satisfactory audit.
      The Colonia Self-Help Center Fund and the Disaster Relief/Urgent Need Fund are exempt from the threshold.
   b. A community with two years of delinquent audits may not apply for additional funding and may not receive a contract award. This applies to all funding categories under the Texas Community Development Block Grant Program.
      The Colonia Self-Help Center Fund may be exempt from this threshold, since funds for the self-help center funding is included in the program's state budget appropriation. Failure to meet the threshold will be reported to the Texas Department of Housing and Community Affairs for review and recommendation.

c. If an audit becomes due after the award date, the Office may withhold the issuance of a contract until it receives a satisfactory audit. If a satisfactory audit is not received by the Office within four months of the audit due date, the Office may withdraw the award and re-allocate the funds in accordance with Section II(C)(b) (excludes the colonia self-help center awards and Texas Capital Fund awards).

7. 12-Month Applicant Threshold Requirement

Obligate at least fifty percent (50%) of the total TxCDBG funds awarded under an open TxCDBG contract within twelve (12) months from the start date of the contract or prior to the application deadlines and have received all applicable environmental approvals from TxCDBG covering this obligation. This threshold is applicable to TxCDBG contracts with an original 24-month contract period.

To meet this threshold, 50% of the TxCDBG funds must be obligated through executed contracts for administrative services, engineering services, acquisition, construction, materials purchase, etc. The TxCDBG contract activities do not have to be 50% completed, nor do 50% of the TxCDBG contract funds have to be expended to meet this threshold.

| **Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** | **Not Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** |
|---|---|
| Community Development Fund | Texas Capital Fund |
| Community Development Supplemental Fund | Colonia Self-Help Centers Fund |
| Colonia Construction Fund | Housing Rehabilitation Fund |
| Colonia Fund Planning | Housing Infrastructure Fund |
| Disaster Relief / Urgent Need Fund | Texas STEP |
| Planning/Capacity Building Fund | Colonia Economically Distressed Areas |
| Non-Border Colonia Fund | Disaster Recovery Initiative |
| Texas STEP (except for STEP contracts awarded prior to PY 2010) | *Young vs. Martinez* |
| | Microenterprise Loan Fund |
| | Small Business Loan Fund |
| | Renewable Energy Demonstration Pilot Program |

This threshold is not applicable when an applicant meets the eligibility criteria for the TxCDBG Disaster Relief Fund or for the Renewable Energy Demonstration Pilot Program

8. 24-Month Applicant Threshold Requirement

Submit to TDRA the Certificate of Expenditures (COE) report showing the expended TxCDBG funds and a final drawdown for any remaining TxCDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by TxCDBG staff.

For purposes of meeting this threshold "expended" means that the construction and services covered by the TxCDBG funds are complete and a drawdown for the TxCDBG funds has been submitted prior to the application deadlines.

This threshold will apply to an open TxCDBG contract with an original 24-month contract period and to TxCDBG Contractors that have reached the end of the 24-month period prior to the application deadlines as described below:

| **Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** | **Not Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** |
|---|---|
| Community Development Fund | Texas Capital Fund |
| Community Development Supplemental Fund | Colonia Self-Help Centers Fund |
| Community Development – Recovery (A & B portions combined) | Housing Rehabilitation Fund |
| Colonia Construction Fund | Housing Infrastructure Fund |
| Colonia Fund Planning | Texas STEP(original 24-month contract, extended to 36-months) awarded prior to PY 2009 |
| Disaster Relief / Urgent Need Fund | Colonia Economically Distressed Areas |
| Planning/Capacity Building Fund | Disaster Recovery Initiative |
| Non-Border Colonia Fund | *Young vs. Martinez* |
| Texas STEP (except for STEP contracts awarded prior to PY 2009) | Microenterprise Loan Fund |
| | Small Business Loan Fund |
| | Renewable Energy Demonstration Pilot Program |

This threshold is not applicable when an applicant meets the eligibility criteria for the TxCDBG Disaster Relief Fund.

9. 36-Month Applicant Threshold Requirement

Submit to TDRA the Certificate of Expenditures (COE) report showing the expended TxCDBG funds and a final drawdown for any remaining TxCDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by TxCDBG staff.

For purposes of meeting this threshold "expended" means that the construction and services covered by the TxCDBG funds are complete and a drawdown for the TxCDBG funds has been submitted prior to the application deadlines.

This threshold is applicable for a previously awarded TxCDBG contract with an original 36-month contract period or a STEP 24-month contract, extended to 36 months, and to TxCDBG Contractors that have reached the end of the 36-month period prior to the application deadlines as described on the next page:

| **Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** | **Not Applicable to previously awarded TxCDBG contracts under the following TxCDBG fund categories** |
|---|---|
| Texas STEP (original 36-month contract or original 24-month contract extended to 36 months) | Texas Capital Fund (see Texas Capital Fund Section) |
| | Colonia Self-Help Centers Fund |
| | Housing Rehabilitation Fund |
| | Colonia Economically Distressed Areas |
| | Disaster Recovery Initiative |
| | *Young vs. Martinez* |
| | Microenterprise Loan Fund |
| | Small Business Loan Fund |
| | Renewable Energy Demonstration Pilot Program |

This threshold is not applicable when an applicant meets the eligibility criteria for the TxCDBG Disaster Relief Fund.

10. TxCDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

11. Texas Capital Fund contractors must expend all but the reserved audit funds, or other reserved funds that are pre-approved by Texas Department of Agriculture staff, awarded under a Texas Capital Fund contract executed at least 36 months prior to the current program year application deadline and submit to the Texas Department of Agriculture the Certificate of Expenditures required

by the most recent edition of the Texas Capital Fund Implementation Manual. Texas Capital Fund contractors intending to submit a new application may not have an existing contract with an award date in excess of 48 months prior to the application deadline date, regardless of extensions granted.

12. Based on a pattern of unsatisfactory (a.) performance on previously awarded Texas Community Development Block Grant Program contracts, (b.) management and administration of TxCDBG contracts, or (c) financial management capacity based on a review of official financial records and audits, TDRA (or TDA, in the case of the Texas Capital Fund applications) may determine that an applicant is ineligible to apply for TxCDBG funding even though at the application date it meets the threshold and past performance requirements. TDRA (or TDA, in the case of Texas Capital Fund applications) will consider the most recent 48 months before the application due date. TxCDBG may determine that an applicant would still remain eligible for funding under the Disaster Relief Fund even with a pattern of unsatisfactory performance and/or management capacity as discussed in this paragraph; however; the TxCDBG must approve the contract administrator for the Disaster Relief Fund grant. An entity or person may be determined ineligible to administer the new contract if it administered the applicant's TxCDBG contracts during the most recent 48 months before the application date and for two or more of such contracts it administered the applicant failed to meet its contract requirements, such as failure to submit complete closeouts documents on time.

### *G. ADMINISTRATION OF TxCDBG CONTRACTS*

In order to administer a TxCDBG contract awarded in PY 2011, the administrator (contracted administrators on behalf of the client community or the city or county staff of self-administering award recipients) must attend, and retain the completion certificate, from the most recent cycle of TxCDBG Project Implementation Manual workshops. (This requirement excludes Texas Capital Fund and Colonia Self-Help Center Set-aside contracts.) The TxCDBG contract recipient (city or county) is strongly encouraged to attend the TxCDBG Project Implementation Workshops even if it anticipates using an outside firm to provide it with contract administration services.

The TxCDBG is under no obligation to approve any changes in a performance statement of a TxCDBG contract that would result in a program year score lower than originally used to make the award if the lower score would have initially caused that project to be denied funding. This does not apply to colonia self-help centers or the Texas Capital Fund.

# IV. APPLICATION SELECTION CRITERIA

## *A. GENERAL DESCRIPTION*

The scoring criteria used in the TxCDBG are described in Section C below.

The points awarded under these criteria are combined to rank the projects in descending order. The projects in each fund are selected based on this descending order and the availability of dollars in each fund.

Texas Capital Fund Real Estate Program, and Infrastructure Program projects are evaluated based upon selection criteria that include, but are not limited to:

(1) Jobs
(2) Business Emphasis
(3) Feasibility
(4) Community Need

Texas Capital Fund Main Street Program and Downtown Revitalization Program projects are evaluated based upon selection criteria that include, but are not limited to:

(1) Community Profile
(2) Project Feasibility
(3) Leverage Ratio
(4) Aiding in the Elimination of Slum and/or Blight Conditions

Texas Capital Fund applications are reviewed and evaluated by Texas Department of Agriculture staff. Recommendations for all Texas Capital Fund applications will be made to the Commissioner of the Texas Department of Agriculture for final award.

In accordance with Section 2310.403, Government Code, preference will be given to applications from governing bodies of communities designated as defense economic readjustment zones over other eligible applications for TxCDBG grants and loans if at least fifty percent (50%) of the grant or loan will be expended for the direct benefit of the readjustment zone and the purpose of the grant or loan is to promote TxCDBG-eligible economic development in the community or for TxCDBG-eligible construction, improvement, extension, repair, or maintenance of TxCDBG-eligible public facilities in the community.

**Disaster Relief/Urgent Need applications must meet the threshold factors as discussed under the "Description of Funds" section.**

Readiness to Proceed Requirements: In order to determine that the project is ready to proceed, the applicant must provide in its application information that:

a. Identifies the source of matching funds and provides evidence that the applicant has applied for the non-local matching funds, and for local matching funds, evidence that local matching funds would be available.

b. Provides written evidence of a ratified, legally binding agreement, contingent upon award, between the applicant and the utility that will operate the project for the continual operation of the utility system as proposed in the application. For utility projects that require the applicant or service provider to obtain a Certificate of Convenience and Necessity for the target area proposed in the application, provides written evidence that the Texas Commission on Environmental Quality has received the applicant or service provider's application.

c. Where applicable, provide a written commitment from service providers, such as the local water or sewer utility, stating that they will provide the intended services to the project area if the project is constructed.

Any applicant's cash match included in the TxCDBG contract budget may not be obtained from any person or entity that provides contracted professional or construction-related services (other than utility providers) to the applicant to accomplish the purposes described in the TxCDBG contract, in accordance with 24 CFR Part 570.

## *B. RESOURCES FOR DESCRIPTIONS OF SELECTION CRITERIA BY FUND CATEGORY*

Starting on the next page, the descriptions for the selection criteria for each fund category provide a basic framework of the selection criteria and selection factors used to distribute the funds under each fund category. Additional information on the selection criteria, selection factors and methods used to determine scores for these fund categories is provided in the application guide for each fund category and in the Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255, Subchapter A.

The information currently available for fund categories in the Texas Administrative Code may not yet reflect changes to selection criteria contained in this 2011 Action Plan for the 2011 program year. Any changes to the selection criteria will be published in the Texas Register prior to final adoption.

The Texas Administrative Code can be found on the Texas Secretary of State website at www.sos.state.tx.us. Listed below are the TxCDBG fund categories that are currently contained in the Texas Administrative Code. Certain Texas Administrative Code sections are retained for previous Fund Categories to govern existing TxCDBG contracts.

Texas Administrative Code, Title 10 T.A.C., Part 6, Chapter 255, Subchapter A

| Section | Section Title |
|---|---|
| 255.1 | General Provisions |
| 255.2 | Community Development Fund |
| 255.4 | Planning/Capacity Building Fund |
| 255.5 | Disaster Relief Fund |
| 255.6 | Urgent Need Fund |
| 255.7 | Texas Capital Fund |
| 255.8 | Regional Review Committees |
| 255.9 | Colonia Fund |
| 255.11 | Small Towns Environment Program Fund |
| 255.17 | Renewable Energy Demonstration Pilot Program |

## *C. DESCRIPTION OF SELECTION CRITERIA BY FUND CATEGORY*

### 1. COMMUNITY DEVELOPMENT FUND

#### *a. Regional Review Committee (RRC) Objective Scoring*

(1) Responsibilities of the RRC:

Each Regional Review Committee is responsible for determining local project priorities and objective factors for all its scoring components based on public input in accordance with the requirements in this Action Plan.

(2) Maximum RRC Points Possible:

The RRC shall establish the numerical value of the points assigned to each scoring factor and determine the total combined points for all RRC scoring factors.

(3) RRC Selection of the Scoring Factors:

The RRCs are responsible for convening public hearings to discuss and select the objective scoring factors that will be used to score applications at the regional level level in accordance with the requirements in this Action Plan. The public must be given an opportunity to comment on the priorities and the scoring criteria considered. The final selection of the scoring factors is the responsibility of each RRC and must be consistent with the requirements in this Action Plan. Each RRC shall develop a Regional Review Committee Guidebook, in the format provided by TxCDBG staff, to notify eligible applicants of the objective scoring factors and other RRC procedures for the region.

RRCs are encouraged to establish a priority scoring factor that considers the nature and type of the project.

(4) Examples of RRC Objective Scoring Factors:

Examples of objective scoring factors are shown in Appendix A to further clarify the term objective.

The RRC must clearly indicate how responses would be scored under each factor and use data sources that are verifiable to the public. After the RRC's adoption of its scoring factors, the score awarded to a particular application under any RRC scoring factor may not be dependent upon an individual RRC member's judgment or discretion. (This does not preclude collective RRC action that the state TxCDBG has approved under any appeals process.)

(5) RRC Priority Set-asides:

Housing and Non-Border Colonia projects - Each Regional Review Committee is highly encouraged to allocate a percentage or amount of its Community Development Fund allocation to housing projects and for RRCs in eligible areas, non-border colonia projects, for that region. Under a set-aside, the highest ranked applications for a housing or non-border colonia activity, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing or non-border colonia set-aside level. If the region allocates a percentage of its funds to housing and/or non-border colonia activities and applications conforming to the maximum and minimum amounts are not received to use the entire set-asides, the remaining funds may be used for other eligible activities. (Under a housing and/or non-border colonia set-aside process, a community would not be able to receive an award for both a housing or non-border colonia activity and an award for another Community Development Fund activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.) The RRC must include any set-aside in its Regional Review Committee Guidebook.

(6) RRC Designation of Staff Support:

The RRC shall select one of the following entities to develop the RRC Guidebook, calculate the RRC scores, and provide other administrative RRC support:

(i) Regional Council of Governments (COG), or

(ii) TxCDBG staff or TxCDBG designee, or

(iii) A combination of COG and TxCDBG staff or TXCDBG designee.

The RRC Guidebook should be adopted by the RRC and approved by TxCDBG staff at least 90 days prior to the application deadline.

The selection of the entity responsible for calculating the RRC scores must be identified in the RRC Guidebook and must define the role of each entity selected. TDRA shall be responsible for reviewing all scores for accuracy and for determining the final ranking of applicants once the RRC and TxCDBG scores are summed. The RRC is responsible for providing to the public the RRC scores, while the TxCDBG is responsible for publishing the final ranking of the applications.

(7) Tie-breaker in a region:

If needed in the ranking of applications within a region based on available funds remaining, a tie between multiple applications shall be broken based on the per capita income ranking, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher, followed by a third tie-breaker, if needed, of the highest annual unemployment rate ranking higher.

*b. State Scoring (TxCDBG Staff Scoring) - Other Considerations – Maximum Points - 10% of Maximum Possible Score for Each RRC*

(1) Past Selection – Maximum Points - 2% of Maximum Possible RRC Score for each region - are awarded to each 2009 / 2010 Community Development Fund applicant that did not receive a 2009 or 2010 Community Development Fund, Community Development Fund-Recovery, or Rural Sustainability Fund contract award.

(2) Past Performance - Maximum Points - 4% of Maximum Possible RRC Score for each region

An applicant can receive points based on the applicant’s past performance on previously awarded TxCDBG contracts. The applicant’s score will be primarily based on our assessment of the applicant’s performance on the applicant’s most recent TxCDBG contract that has reached the end of the original contract period stipulated in the contract within the past 4 years (for CD/CDS contracts only the 2005/2006 and 2007/2008 cycle awards will be considered). The TxCDBG will also assess the applicant’s performance on existing TxCDBG contracts that have not reached the end of the original contract period. Applicants that have never received a TxCDBG grant award will automatically receive these points. The TxCDBG will assess the applicant’s performance on TxCDBG contracts up to the application deadline date. The applicant’s performance after the application deadline date will not be evaluated in this assessment. (Adjustments may be made for contracts that are engaged in appropriately pursuing due diligence such as bonding remedies or litigation to ensure adequate performance under the TxCDBG contract.) The evaluation of an applicant’s past performance will include the following:

- The applicant’s completion of the previous contract activities within the original contract period.
- The applicant’s submission of all contract reporting requirements such as Quarterly Progress Reports.
- The applicant’s submission of the required close-out documents within the period prescribed for such submission.

- The applicant's timely response to monitoring findings on previous TxCDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous TxCDBG contracts.
- The expenditure timeframes on the applicable TxCDBG contracts.

(3) All project activities within the application would provide basic infrastructure or housing activities - 2% of the Maximum Possible RRC Score for each region. (Basic infrastructure - the basic physical shared facilities serving a community's population consisting of water, sewage, roads, and flood drainage. Housing activities – as defined in 24 CFR Part 570.)

(4) Cost per Housing Unit (CPHU) – The total amount of TxCDBG funds requested by the applicant is divided by the total number of households benefiting from the application activities to determine the TxCDBG cost per housing unit. (Use pro rata allocation for multiple activities.) – Up to 2% of the Maximum RRC Score for each region.

(i) Cost per housing unit is equal to or less than $8,750 – 2%.

(ii) Cost per housing unit is greater than $8,750 but equal to or less than $17,500 – 1.75%.

(iii) Cost per housing unit is greater than $17,500 but equal to or less than $26,500 – 1.25%.

(iv) Cost per housing unit is greater than $26,500 but equal to or less than $35,000 – 0.5%.

(v) Cost per housing unit is greater than $35,000 – 0%.

(When necessary, a weighted average is used to score to applications that include multiple activities with different beneficiaries. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for administration, a percentage of the total TxCDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total TxCDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

The RRC may not adopt scoring factors that directly negate or offset these state factors.

c. Statutory - Low and Moderate Income (LMI) Persons National Objective – Scoring factor

To assist in fulfilling the CDBG statutory requirement for the percentage of program year awards that must meet the LMI National Objective, applications that meet the LMI National Objective for each activity (51 percent low/moderate-income benefit for each activity within the application) will receive 2% of the Maximum Possible RRC Score for each region.

Further, to ensure the TxCDBG program meets the statutory LMI National Objective requirement, if the ranking in a region would not result in the award of at least 75 percent of the allocated funds for the LMI national objective, then the TxCDBG will make awards based on a revised ranking to achieve at least a 75 percentage level for LMI awards for the region. If there are not sufficient applications in the region to achieve the 75 percent LMI national objective level, the amount of funds in a region equal to the shortfall in meeting this requirement will be re-allocated to a pool for other LMI national objective projects. Awards from the pool of remaining LMI applications would be based the marginal competition selection criteria.

### d. Other TxCDBG State Responsibilities

The state may establish the maximum number of regional scoring factors that may be used in order to improve review and verification efficiency. Similarly, the state may determine that certain regional scoring factors may not be used because the data is not readily available or would require excessive effort to verify the information in a timely manner. To ensure consistency, the state may determine the acceptable data source for a particular regional scoring factor (such as the unemployment rate.)

The state TxCDBG staff will review each RRC Guidebook to ensure that the scoring procedures are in compliance with 24 CFR 91.320(k)(1)(iv). The regulation states in part that "The statement of method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it and be able to prepare responsive applications." TxCDBG staff will also review the scoring factors selected to ensure that all scoring factors are objective. Each RRC must obtain written approval from TxCDBG staff before implementing the RRC scoring process. As part of the approval process of the RRC Guidebook, the TxCDBG state staff may provide further details or elaboration on the objective scoring methodology, data sources and other clarifying details without the necessity of a subsequent RRC meeting.

The state TxCDBG staff may establish:

(i) a deadline for the RRC to adopt objective factors for all of its scoring components and submit its adopted Guidebook incorporating the objective scoring methodology to the state TxCDBG staff for approval;

(ii) an RRC scoring review appeals process in the Guidebook Instructions and/or the Texas Administrative Code.

In the event that an RRC fails to approve an objective scoring methodology to the satisfaction of the TxCDBG consistent with the requirements in this Action Plan by the established deadline or if the RRC fails to implement the approved methodology, TxCDBG will establish for the region scoring factors as described in Appendix B for the 2011/2012 application cycle.

Only the state TxCDBG staff may disqualify an application submitted in a region. The regional scores for RRC factors and the ranking of applications are not considered final until they have been reviewed and approved by the state TxCDBG staff.

An oversubscription pool may be conducted that would use the scoring criteria specified in the marginal competition section that directly follows this section.

(e) Forward Commitments – Pilot Program:

Forward Commitments to Avoid Application Threshold Issues

As a pilot program under the Community Development Fund, the TxCDBG may designate conditional commitments, contingent upon receiving future CDBG funds from HUD, to make awards to certain eligible applications within a region using future regional Community Development Fund allocations.

A Regional Review Committee may elect to opt out of this pilot program. If the RRC elects to opt out, forward commitments will not be available to any applicant within the region. Note: if the RRC elects to opt out, projects as described below would not be eligible for awards in that region.

These forward commitments would be made under the following terms and conditions:

1. The purpose of approving a commitment is to allow an applicant to provide a source of funding in conjunction with a larger project where the use of these TxCDBG funds will not occur until several years into the project. It may not be used for other purposes, as determined by TxCDBG staff. (For example, the commitment would provide funding for the water connections associated with a project to build a new water treatment plant. The TxCDBG applicant could provide this commitment in its application to the other funding agency to demonstrate supplemental funding for this phase of the water project.)

2. The associated project must be ready to proceed within 6 months of receiving the forward commitment, including submission of an application to all other sources of supplemental funding for the complete project. The supplemental funds from other sources that will be used in conjunction with the TxCDBG funds must be committed and awarded to the applicant within 12 months from the date of the TxCDBG commitment.

3. A maximum of four commitments may be made under this pilot program.

4. The TxCDBG staff will determine eligible applicants within a region that would qualify and be offered this option. In making this decision, TxCDBG staff will consider, among other things, the anticipated number of months required to before TxCDBG funds would be expended given the magnitude and nature of the project, the regulatory approvals required, the sources of other funding to be provided to the project, and the ranking within the region. If there are more than four eligible applicants that would qualify, a tiebreaker based on the State score as described in Community Development Fund Marginal Competition would be used to determine the four commitments to be made.

5. For the year the commitment is awarded to the recipient through a contract from TxCDBG, the amount provided for the commitment would be subtracted from the total regional Community Development Fund allocation amount prior to allocation to other eligible applications in the regional Community Development Fund competition.

6. Not more than two commitments may be outstanding (without fully executed TxCDBG contracts) in any given region at any time.

7. The TxCDBG commitment would be considered an award to the applicant in the year it was awarded for purposes of scoring.

8. Termination of commitment: The commitment may be terminated if the applicant does not receive the supplemental funding for the project or fails to comply with other commitment requirements.

9. Subject to funding availability: All commitments are subject to the TxCDBG program receiving a sufficient regular annual allocation amount from HUD and consequently the Community Development Fund receiving sufficient funds. The TxCDBG may use deobligated funds/program income if available and considered appropriate. The commitment does not obligate TxCDBG or TDRA to use any other source of funds to provide the amount committed.

10. Contingency Plan: The applicant must provide TxCDBG with a contingency plan to outlines the source of replacement funds to complete the project should the TxCDBG regular annual HUD allocation or deobligated funds/program income diminish to the point that the commitment cannot be funded.

### *Community Development Fund Marginal Competition*

A pooled marginal competition may be conducted for program year 2012 using available funds if the State's 2012 allocation is not decreased significantly from the State's estimated 2011 Community Development allocation.

All applicants whose marginal amount available is under $75,000 will automatically be considered under this competition.

When the marginal amount left in a regional allocation is equal to or above the TxCDBG grant minimum of $75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Alternatively, such marginal applicants may choose to compete under the pooled marginal fund competition for the possibility of full project funding.

This fund consists of all regional marginal amounts of less than $75,000, any funds remaining from regional allocations where the number of fully funded eligible applicants does not utilize a region's entire allocation and the contribution of marginal amounts larger than $75,000 from those applicants opting to compete for full funding rather than accept their marginal amount.

The scoring factors used in this competition are the percentage of the State score received to the maximum possible State score in the region, followed by the per capita income ranking, if needed, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher; both based on a city's incorporated area and a county's total unincorporated area.

## 2a. TEXAS CAPITAL FUND — Real Estate, And Infrastructure Programs

The selection criteria for the Real Estate, and Infrastructure Programs of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Creation or retention of jobs primarily for low to moderate income persons
b. Creation or retention of jobs primarily in areas of above average unemployment and poverty
c. Generation of a greater ratio of private investment to Texas Capital Fund investment
d. Expansion of markets through manufacturing and/or value-added processing
e. Provision of job opportunities at the lowest possible Texas Capital Fund cost per job
f. Benefit to areas of the state most in need by considering job impact to community
g. Assistance for small businesses and Historically Underutilized Businesses
h. Feasibility of project and ability to create and/or retain jobs

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of business or marketing plan; management experience of the business' principals; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

## 2b. TEXAS CAPITAL FUND Main Street Program

The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Aid in the elimination of slum or blight
b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
c. Feasibility of project
d. Generation of a greater ratio of private investment to Texas Capital Fund investment
e. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

## 2c. TEXAS CAPITAL FUND Downtown Revitalization Program

The selection criteria for the Downtown Revitalization Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

a. Aid in the elimination of slum or blight
b. Feasibility of project
c. Generation of a greater ratio of private investment to Texas Capital Fund investment
d. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: strength of marketing plan and justification of minimum Texas Capital Fund contribution necessary to serve the project.

## 3a. COLONIA CONSTRUCTION COMPONENT 430 Total Points Maximum

### *a. Community Distress -- 35 Points (Maximum)*

| | |
|---|---|
| • *Percentage of persons living in poverty* | 15 points |
| • *Per Capita Income* | 10 points |
| • *Percentage of housing units without complete plumbing* | 5 points |
| • *Unemployment Rate* | 5 points |

### *b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)*

A formula is used to determine the percentage of TxCDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the TxCDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of TxCDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the TxCDBG funds requested minus the TxCDBG funds requested for administration to determine the percentage of TxCDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

| | |
|---|---|
| 100% to 90% of TxCDBG funds benefiting low to moderate income persons | 30 |
| 89.99% to 80% of TxCDBG funds benefiting low to moderate income persons | 25 |
| 79.99% to 70% of TxCDBG funds benefiting low to moderate income persons | 20 |
| 69.99% to 60% of TxCDBG funds benefiting low to moderate income persons | 15 |
| Below 60% of TxCDBG funds benefiting low to moderate income persons | 5 |

### *c. Project Priorities -- 195 Points (Maximum)*

- *Activities (service lines, service connections, and/or plumbing improvements) providing public access to EDAP-funded water or sewer systems* 195
- *First time public Water service activities (including yard service lines)* 145
- *First time public Sewer service activities (including yard service lines)* 145
- *Installation of approved residential on-site wastewater disposal systems for providing first time service* 145
- *Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues* 140
- *Housing Activities* 140
- *First time Water and/or Sewer service through a privately-owned for-profit utility* 135
- *Expansion or improvement of existing Water and/or Sewer service* 120
- *Street Paving and Drainage activities* 75
- *All Other eligible activities* 20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for engineering and administration, a percentage of the total TxCDBG construction dollars for each activity will be calculated. The percentage of the total TxCDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

### *d. Project Design -- 140 Points (Maximum)*

Each application is scored by a committee composed of TxCDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.
- The applicant will use TxCDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant’s past efforts (with emphasis on the applicant’s most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the TxCDBG Community Development Fund or through the use of CDBG entitlement funds.
- The TxCDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.

- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded TxCDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

*e. Matching Funds -- 20 Points (Maximum)*

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request — 20 points
- Match at least 2%, but less than 5% of grant request — 10 points
- Match less than 2% of grant request — 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request — 20 points
- Match at least 2.5%, but less than 10% of grant request — 10 points
- Match less than 2.5% of grant request — 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request — 20 points
- Match at least 3.5%, but less than 15% of grant request — 10 points
- Match less than 3.5% of grant request — 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request — 20 points
- Match at least 5%, but less than 20% of grant request — 10 points
- Match less than 5% of grant request — 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The TxCDBG does not consider sewer or water service lines and connections as housing activities. The TxCDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

### *Past Performance – 10 points (Maximum)*

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded TxCDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent TxCDBG contracts that have reached the end of the original contract period stipulated in the contract. The TxCDBG will also assess the applicant's performance on existing TxCDBG contracts that have not reached the end of the original contract period. Applicants that have never received a TxCDBG grant award will automatically receive these points. The TxCDBG will assess the applicant's performance on TxCDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous TxCDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous TxCDBG contracts.

### *Colonia Construction Component Marginal Applicant*

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. If the marginal amount available to this applicant is equal to or more than the Colonia Construction Component grant minimum of $75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. In the event that the marginal amount remaining in the Colonia Construction Component allocation is less than $75,000, then the remaining funds will be used to either fund a Colonia Planning Fund application or will be reallocated to other established TxCDBG fund categories.

## 3b. COLONIA ECONOMICALLY DISTRESSED AREAS PROGRAM SET-ASIDE

The allocation is distributed on an as-needed basis to eligible counties, and nonentitlement cities located in those counties, that are eligible under the TxCDBG Colonia Fund and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Unutilized funds under this program may be redistributed among the established current program year fund categories, for otherwise eligible projects.

Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the TxCDBG), taps and meters (when approved by the TxCDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

TxCDBG staff will evaluate the following factors prior to awarding Colonia Economically Distressed Areas Program funds:

- The proposed use of the TxCDBG funds including the eligibility of the proposed activities and the effective use of the funds to provide water or sewer connections/yard lines to water/sewer systems funded through EDAP.
- The ability of the applicant to utilize the grant funds in a timely manner.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded TxCDBG contracts.
- Cost per beneficiary.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

## 3c. COLONIA AREA PLANNING COMPONENT **340 Total Points Maximum**

### *a. Community Distress -- 35 Points (Maximum)*

| | |
|---|---|
| • Percentage of persons living in poverty | 15 points |
| • Per Capita Income | 10 points |
| • Percentage of housing units without complete plumbing | 5 points |
| • Unemployment Rate | 5 points |

### *b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)*

Points are then awarded based on the low to moderate income percentage for all of the colonia areas where planning activities are located according to the following scale;

| | |
|---|---|
| 100% to 90% of TxCDBG funds benefiting low to moderate income persons | 30 |
| 89.99% to 80% of TxCDBG funds benefiting low to moderate income persons | 25 |
| 79.99% to 70% of TxCDBG funds benefiting low to moderate income persons | 20 |
| 69.99% to 60% of TxCDBG funds benefiting low to moderate income persons | 15 |
| Below 60% of TxCDBG funds benefiting low to moderate income persons | 5 |

### *c. Matching Funds -- 20 Points (Maximum)*

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

| | |
|---|---|
| • Match equal to or greater than 5% of grant request | 20 points |
| • Match at least 2%, but less than 5% of grant request | 10 points |
| • Match less than 2% of grant request | 0 points |

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is based on the actual number of beneficiaries to be served by the colonia planning activities.

### *d. Project Design -- 255 Points (Maximum)*

Each application is scored by a committee composed of TxCDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need within the colonia area(s), how clearly the proposed planning effort will remove barriers to the provision of public facilities to the colonia area(s) and result in the development of an implementable strategy to resolve the identified needs.
- The planning activities proposed in the application.
- Whether each proposed planning activity will be conducted on a colonia-wide basis.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- The TxCDBG cost per low/moderate-income beneficiary.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded TxCDBG contracts.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

### *Colonia Area Planning Component Marginal Applicant*

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Area Planning allocation will be reallocated to either fund additional Colonia Comprehensive Planning applications, Colonia Construction Component applications, or will be reallocated to other established TxCDBG fund categories.

## 3d. COLONIA COMPREHENSIVE PLANNING COMPONENT **200 Total Points Maximum**

### *a. Community Distress -- 25 Points (Maximum)*

- Percentage of persons living in poverty 10 points
- Per Capita Income 5 points

- Percentage of housing units without complete plumbing 5 points
- Unemployment Rate 5 points

*b. Project Design -- 175 Points (Maximum)*

Each application will be scored by a committee composed of TxCDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need for the comprehensive colonia planning effort and how effectively the proposed comprehensive planning effort will result in a useful assessment of colonia populations, locations, infrastructure conditions, housing conditions, and the development of short-term and long term strategies to resolve the identified needs.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- Whether the applicant has provided any local matching funds for the planning or preliminary engineering activities.
- The applicant's past performance on previously awarded TxCDBG contracts.
- An applicant that has previously received a TxCDBG comprehensive planning award would receive lower priority for funding.

A Colonia Planning Component application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

*Colonia Comprehensive Planning Component Marginal Applicant*

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Comprehensive Planning allocation will be reallocated to either fund additional Colonia Area Planning Fund applications, Colonia Construction Component applications, or will be reallocated to other established TxCDBG fund categories.

| 4. PLANNING AND CAPACITY BUILDING FUND | **430 Total Points Maximum** |
|---|---|

*a. Community Distress -- 55 Points (Maximum)*

- Percentage of persons living in poverty 25 points
- Per Capita Income 20 points
- Unemployment rate 10 points

*b. Benefit to Low/Moderate Income Persons - 0 Points*

Applicants are required to meet the 51% low/moderate income benefit as a threshold requirement, but no score is awarded on this factor.

*c. Project Design -- 375 Points (Maximum)*

*(1) Program Priority* 50 points

Applicant chooses its own priorities here with 10 points awarded per priority as provided below.

Base studies (base mapping, housing, land use, population components) are recommended as one selected priority for applicants lacking updated studies unless they have been previously funded by TXCDBG or have been completed using other resources.

An applicant requesting TxCDBG funds for fewer than five priorities may receive point credit under this factor for planning studies completed within the last 10 years that do not need to be updated. An applicant requesting TxCDBG funds for a planning study priority that was completed within the past 10 years using TxCDBG funds would not receive scoring credit under this factor.

Applicants should not request funds to complete a water or sewer study if funds have been awarded within the last two years for these activities or funds are being requested under other TxCDBG fund categories.

*(2) Base Match* 0 points

- Five percent match required from applicants with population equal to or less than 1,500.
- Ten percent match required from applicants with population over 1,500 but equal to or less than 3,000.
- Fifteen percent match required from applicants with population over 3,000 but equal to or less than 5,000.
- Twenty percent match required from applicants with population over 5,000.

The population will be based on available information in the latest national decennial census.

*(3) Areawide Proposals* 50 points

Applicants with jurisdiction-wide proposals because the entire jurisdiction is at least 51 percent low/moderate-income qualify for these points. County applicants with identifiable, unincorporated communities may also qualify for these points provided that incorporation activities are underway. Proof of efforts to incorporate is required. County applicants with identifiable water supply corporations may apply to study water needs only and receive these points.

*(4) Planning Strategy and Products* 275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 30 or 20 points depending on the level of implementation of previously funded activities. Recipients of TxCDBG planning funds prior to PY 2000 will be considered new applicants for this scoring factor
- Up to 225 points are awarded for the applicant’s Proposed Planning Effort based on an evaluation of the following:
  - the extent to which any previous planning efforts have been implemented or accomplished;
  - how clearly the proposed planning effort will resolve community development needs addressed in the application;
  - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
  - demonstration of local commitment.

## 5. TxCDBG STEP FUND **120 Total Points Maximum**

The following is the selection criteria to be used by TxCDBG staff for the scoring of assessments and applications under the Texas STEP Fund. The maximum score of 120 points is divided among five scoring factors:

### *a. Project Impact – 60 Points (Maximum)*

| Activity | Score |
|---|---|
| First time service | 60-40 |
| To address drought | 60-40 |
| To address a severe impact to a water system (imminent loss of well, transmission line, supply impact) | 60-40 |
| TCEQ relevant documentation or Texas Department of Health Imminent Threat to Health | 60-40 |
| Problems due to severe sewer issues that can be addressed through the STEP process (documented) | 60-40 |
| Problems due to severe pressure problems (documented) | 50-40 |
| Line replacement (water or sewer) other than for above | 40-30 |
| All other proposed water and sewer projects that are not reflected above | 30-20 |

A weighted average will be used to assign scores to applications that include activities in the different Project Impact scoring levels. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for engineering and administration, a percentage of the total TxCDBG construction dollars for each activity will be calculated. The percentage of the total TxCDBG construction dollars for each activity will then be multiplied by the appropriate Project Impact point level. The sum of these calculations will determine the composite Project Impact score.

Factors that are evaluated by the TxCDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

1. how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction; and

2. projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally given additional consideration.

### *b. STEP Characteristics, Merits of the Project, and Local Effort - 30 points (Maximum)*

<u>The TxCDBG staff will assess the proposal for the following STEP characteristics not scored in other factors:</u>

1. degree work will be performed by community volunteer workers, including information provided on the volunteer work to total work;

2. local leaders (sparkplugs) willing to both lead and sustain the effort;

3. readiness to proceed – the local perception of the problem and the willingness to take action to solve it;

4. capacity – the manpower required for the proposal including skills required to solve the problem and operate applicable construction equipment;

5. merits of the projects, including the severity of the need, whether the applicant sought funding from other sources, cost in TxCDBG dollars requested per beneficiary, etc.; and

6. local efforts being made by applicants in utilizing local resources for community development.

### *c. Past Participation and Performance – 15 Points (Maximum)*

An applicant would receive ten (10) points if they do not have a current Texas STEP grant.

An applicant can receive from five (5) to zero (0) points based on the applicant's past performance on previously awarded TxCDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent TxCDBG contracts that have reached the end of the original contract period stipulated in the contract. The TxCDBG will also assess the applicant's performance on existing TxCDBG contracts that have not reached the end of the original contract period. Applicants that have never received a TxCDBG grant award will automatically receive these points. The TxCDBG will assess the applicant's performance on TxCDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous TxCDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous TxCDBG contracts.

### *d. Percentage of Savings off of the retail price – 10 Points (Maximum)*

For STEP, the percentage of savings off of the retail price is considered a form of community match for the project. In STEP, a threshold requirement is a minimum of 40 percent savings off the retail price for construction activities.

For Communities that are equal to or below 1,500 in Population

| | |
|---|---|
| 55% or more Savings | 10 points |
| 50% - 54.99% Savings | 9 points |
| 45% - 49.99% Savings | 7 points |
| 41% - 44.99% Savings | 5 points |

For Communities that are above 1,500 but equal to or below 3,000 in Population

| | |
|---|---|
| 55% or more Savings | 10 points |
| 50% - 54.99% Savings | 8 points |
| 45% - 49.99% Savings | 6 points |
| 41% - 44.99% Savings | 3 points |

For Communities that are above 3,000 but equal to or below 5,000 in Population

| | |
|---|---|
| 55% or more Savings | 10 points |
| 50% - 54.99% Savings | 7 points |
| 45% - 49.99% Savings | 5 points |
| 41% - 44.99% Savings | 2 points |

For Communities that are above 5,000 but equal to or below 10,000 in Population

| | |
|---|---|
| 55% or more Savings | 10 points |
| 50% - 54.99% Savings | 6 points |

| | |
|---|---|
| 45% - 49.99% Savings | 3 points |
| 41% - 44.99% Savings | 1 points |

For Communities that are 10,000 or above in Population

| | |
|---|---|
| 55% or more Savings | 10 points |
| 50% - 54.99% Savings | 5 points |
| 45% - 49.99% Savings | 2 points |
| 41% - 44.99% Savings | 0 points |

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

*e. Benefit To Low/Moderate-Income Persons – 5 Points (Maximum)*

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the TxCDBG funds benefit low/moderate-income persons will receive 5 points.

A project must score at least 75 points overall and 15 points under factor 12(b) to be considered for funding.

## 6. Renewable Energy Demonstration Pilot Program **70 Total Points Maximum**

**(A) Type of Project** – Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons – up to 15 points.

**(B) Innovative Technology/Methods** – A project that would demonstrate the application of innovative technology and/or methods – up to 10 points.

**(C) Duplication in Other Rural Areas** – A project that could have widespread application (although it would not need to be applicable in every portion of the state.) – up to 10 points

**(D) Long-term Cost / Benefit and Texas Renewable Energy Goals** – Projects that demonstrate long term cost/benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals – up to 10 points

**(E) Partnership/Collaboration** – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses – up to 10 points.

**(F) Leveraging** – projects with committed funds from other entities including funding agencies, local governments, or businesses.

Applicant(s) population equal to or less than 2,500 according to the latest decennial Census:

- Match equal to or greater than 15% of grant request 10 points
- Match at least 8% but less than 15% of grant request 5 points
- Match at least 3%, but less than 8% of grant request 3 points
- Match at least 2%, but less than 3% of grant request 1 point
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 2,500 according to the latest decennial Census:

- Match equal to or greater than 25% of grant request 10 points
- Match at least 13% but less than 25% of grant request 5 points
- Match at least 5%, but less than 13% of grant request 3 points
- Match at least 3%, but less than 5% of grant request 1 point
- Match less than 3% of grant request 0 points

Applicant(s) population equal to or less than 10,000 but over 5,000 according to the latest decennial Census:

- Match equal to or greater than 35% of grant request 10 points
- Match at least 18% but less than 35% of grant request 5 points
- Match at least 7%, but less than 18% of grant request 3 points
- Match at least 4%, but less than 7% of grant request 1 point
- Match less than 4% of grant request 0 points

Applicant(s) population over 10,000 according to the latest decennial Census:

- Match equal to or greater than 50% of grant request 10 points
- Match at least 25% but less than 50% of grant request 5 points
- Match at least 10%, but less than 25% of grant request 3 points
- Match at least 5%, but less than 10% of grant request 1 point
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county.

**(G) Location in Rural Areas** – Projects that benefit cities with populations under 10,000 or counties under 100,000 – 5 points.

Tiebreaker – If needed in the ranking of applications based on available funds, a tie between multiple applications shall be broken based on the score of (D) Long-term Cost/Benefit and Texas Renewable Energy Goals, followed by the per capita income ranking for the entire population of the city or county that applied.

## 7. COMMUNITY FACILITY FUND 80 Total Points Maximum

**Selection factors:**

(1) LMI percentage of the applicant - Compare each applicant's low and moderate income percentage to all other applicants in the region – up to 20 points maximum

(A higher LMI percentage would score higher. The applicant's LMI percentage is divided by the base amount for the entire region and then multiplied by the maximum possible score of 20, provided the product may not exceed 20 points. The base amount is the average (mean) of the LMI of all the applicants in the region multiplied by a factor 1.25.)

(2) Location in the most rural areas – maximum of 20 points

a. Projects that benefit cities with populations equal to or under 1,500 or counties with populations, after excluding metropolitan cities, that are equal to or under 30,000 – 20 points.

b. Projects that benefit cities with populations equal to or under 2,500 (but over 1,500) or counties with populations, after excluding metropolitan cities, that are equal to or under 50,000 (but over 30,000) – 18 points.

c. Projects that benefit cities with populations equal to or less than 5,000 (but over 2,500) or counties with populations, after excluding metropolitan cities, that are equal to or under 75,000 (but over 50,000) – 15 points.

d. Projects that benefit cities with populations equal to or under 10,000 (but over 5,000) or counties with populations, after excluding metropolitan cities, that are equal to or under 100,000 (but over 75,000) – 10 points.

Populations will be determined by TxCDBG based on the latest Census or HUD data available.

(3) No other comparable facilities available. If there are no other comparable facilities, as determined by TxCDBG staff, within the applicant's jurisdiction – 20 points

(4) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – 20 points.

Applicant(s) population equal to or less than 2,500 according to the latest decennial Census:

Match equal to or greater than 2.5% of grant request 20 points

Applicant(s) population equal to or less than 5,000 but over 2,500 according to the latest decennial Census:

Match equal to or greater than 5% of grant request 20 points

Applicant(s) population equal to or less than 10,000 but over 5,000 according to the latest decennial Census:

Match equal to or greater than 10% of grant request 20 points

Applicant(s) population over 10,000 according to the latest decennial Census:

Match equal to or greater than 15% of grant request 20 points

(5) Tie-breaker in a region:

A tie between multiple applications shall be broken based on the per capita income ranking, with a lower per capita income level ranking higher, followed by a second tie-breaker, if needed, of the highest poverty rate ranking higher, followed by a third tie-breaker, if needed, of the highest annual unemployment rate ranking higher.

## V. PERFORMANCE MEASURES - GOALS, OBJECTIVES, OUTCOMES, STRATEGIES, AND OUTPUTS

### *TxCDBG Strategic Plan Performance Measures*

The TxCDBG currently has a performance measurement system is place that is part of its strategic plan and the Texas legislative budgeting process. The TxCDBG has already implemented a performance measurement system that supports the HUD goals as stated in CPD Notice – 03-09, issued September 3, 2003, which “strongly encouraged each CPD formula grantee to develop and use a state or local performance measurement system.” In this notice, HUD asked the State CDBG programs, along with all other CDBG grantees, that currently have and use a state or local performance measurement system to “(1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs.”

The TxCDBG has the following Performance Measures system in place for administering and evaluating the success of the CDBG non-entitlement program.

### *GOALS, OBJECTIVES AND OUTCOMES – For FY 2011*

Goal 1: Support Community and Economic Development Housing and Health Projects

Outcome 1: Percent of the Small Communities’ Population Benefiting from Projects

Output 1: Number of New Community / Economic Development Contracts Awarded

Output 2: Number of Projected Beneficiaries from New Community / Economic Development Contracts Awarded

Output 3: Number of Programmatic Monitoring Visits Conducted

### *HUD CDBG Performance Outcome Measurement System*

The TxCDBG has implemented the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output

Indicators, many of which TxCDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

# VI. OTHER 2010 CDBG PROGRAM GUIDELINES

## *A. COMMUNITY NEEDS ASSESSMENT*

Each applicant for TxCDBG funds must prepare an assessment of the applicant's housing and community development needs. The needs assessment submitted by an applicant in an application for the Community Development Fund must also include information concerning the applicant's past and future efforts to provide affordable housing opportunities in the applicant's jurisdiction and the applicant's past efforts to provide infrastructure improvements through the issuance of general obligation or revenue bonds.

## *B. LEVERAGING RESOURCES*

### *Texas Capital Fund*

The following matching funds requirements apply under the Real Estate, Infrastructure, Main Street and Downtown Revitalization Program:

a. The leverage ratio between all funding sources to the Texas Capital Fund (TCF) request may not be less than 1:1 for awards of $750,000 or less (except for the Main Street and Downtown Revitalization programs which both require 0.1:1, or more match), and 4:1 for awards of $750,100 to $1,000,000.

b. All businesses are required to make financial contributions to the proposed project. A cash injection of a minimum of 2.5% of the total project cost is required. Total equity participation must be no less than 10% of the total project cost. This equity participation may be in the form of cash and/or net equity value in fixed assets utilized within the proposed project. A minimum of a 33% equity injection (of the total projects costs) in the form of cash and/or net equity value in fixed assets is required, if the business has been operating for less than three years and is accessing the Real Estate program.

Over the past five program years the ratio of matching funds to Texas Capital Fund awards is approximately 3.75:1. If this ratio continues for the 2009 program year then the estimated amount of leveraged funds for the 2010 program year is approximately $45 million.

## *C. MINORITY HIRING/PARTICIPATION*

The TxCDBG encourages minority employment and participation among all applicants under the Community Development Block Grant Program. All applicants to the Community Development Block Grant Program shall be required to submit information documenting the level of minority participation as part of the application for funding.

### *D. CITIZEN PARTICIPATION*

A grant to a locality under the Texas Community Development Block Grant Program may be awarded only if the locality certifies that it is following a detailed citizen participation plan that provides for and encourages citizen participation at all stages of the community development program. TxCDBG applicants and funded localities are required to carry out citizen participation in accordance with the Citizen Participation Plan requirements described in TxCDBG application guides.

## APPENDIX A – EXAMPLES OF OBJECTIVE SCORING FACTORS

### *1. Per Capita Income – 20 points maximum*

Compare each applicant's per capita income level to all other applicants in the region.

Method: The base amount for the entire region is divided by the applicant's per capita income level and then multiplied by the maximum possible score of 20, provided the product may not exceed 20 points. The base amount is the average (mean) of the per capita income levels of all the applicants in the region multiplied by a factor 0.75.

*Details*

*Incorporated City Applications:*

For an incorporated city, the data used to score is based on the 2000 decennial Census SF 3 information for the city's entire population.

For a new incorporated city that was not included in the 2000 decennial Census as an incorporated city, the data used to score is based on the 2000 decennial Census information for the entire county unincorporated population.

*County Applications:*

For a county, the data used to score is based on the 2000 decennial Census SF 3 information for:

- the county's entire population (for county-wide benefit activities);
- the county's entire unincorporated population (for activities that only benefit persons in unincorporated areas); or
- the 2000 decennial census geographic area information specific to the unincorporated areas benefiting from the county's application activities (for activities that only benefit persons in unincorporated areas) (only census tracts, or block numbering areas, and block groups are allowable census geographic areas)

Geographic area information may be substituted only for county applications where the application activities benefit no more than two separate unincorporated target areas. County applications that include application activities for unincorporated areas that are located in more than two county precincts are scored for the entire county unincorporated population or the entire county population.

If a county elects to use census geographic area information that is specific to the unincorporated areas benefiting from the application activities, the county must submit the census geographic area identification number and the associated per capita income amount for each target area.

Multi-Jurisdiction applications - For multi-jurisdiction applications, the data used for scoring is based on a simple average of the per capita income amounts for all of the participating jurisdictions.

Data Source – US Bureau of the Census - 2000 Census – SF 3, Per Capita Income

### *2. Matching Funds -- 60 Points Maximum*

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request — 60 points
- Match at least 4% but less than 5% of grant request — 40 points
- Match at least 3%, but less than 4% of grant request — 20 points
- Match at least 2%, but less than 3% of grant request — 10 points
- Match less than 2% of grant request — 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request — 60 points
- Match at least 7.5% but less than 10% of grant request — 40 points
- Match at least 5%, but less than 7.5% of grant request — 20 points
- Match at least 2.5%, but less than 5% of grant request — 10 points
- Match less than 2.5% of grant request — 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request — 60 points
- Match at least 11.5% but less than 15% of grant request — 40 points
- Match at least 7.5%, but less than 11.5% of grant request — 20 points
- Match at least 3.5%, but less than 7.5% of grant request — 10 points
- Match less than 3.5% of grant request — 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request — 60 points
- Match at least 15% but less than 20% of grant request — 40 points
- Match at least 10%, but less than 15% of grant request — 20 points
- Match at least 5%, but less than 10% of grant request — 10 points
- Match less than 5% of grant request — 0 points

The population category for an incorporated city is based on the city's 2000 Census population. The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Multi-Jurisdiction Applications - The population category under which multi-jurisdiction applications will be scored will be based on the combined populations of the participating applicants according to the 2000 census. The guidelines for determining the population category for county applications will also apply to multi-jurisdiction applications when a county or counties are participants in a multi-jurisdiction application.

Data Source - US Bureau of the Census - 2000 Census, SF 3.

### *3. Project Priorities – 30 Points Maximum*

a. Activities providing or improving water or wastewater (including yardlines on residential property) and other affordable housing activities– 30 Points

b. Street improvements - 15 Points

c. All other eligible activities – 5 Points

(When necessary, a weighted-average is used to score to applications that include multiple activities. Using as a base figure the TxCDBG funds requested minus the TxCDBG funds requested for administration, a percentage of the total TxCDBG construction and engineering dollars for each activity is calculated. Administration dollars requested is applied pro-rata to these amounts. The percentage of the total TxCDBG dollars for each activity is then multiplied by the appropriate score and the sum of the calculations determines the score. Related acquisition costs are applied to the associated activity.)

## APPENDIX B –

Scoring if a RRC for a region fails to approve an objective scoring methodology to the satisfaction of the TxCDBG consistent with the requirements in this Action Plan by the established deadline or if the RRC fails to implement the approved methodology.

The state TxCDBG staff will begin with the final RRC scoring factors for the 2009/2010 cycle and adjust them based on the following:

a. The state may establish the maximum number of regional scoring factors that may be used in order to improve review and verification efficiency and may insert factors to provide a minimum number of factors;

b. The state may determine that certain regional scoring factors may not be used because the data is not readily available or would require excessive effort to verify the information in a timely manner; and

c. To ensure consistency, the state may determine the acceptable data source for a particular regional scoring factor.

### *CPD Outcome Performance Measurement System Reporting*

91.320(c)(3), 91.320(e), 91.320(g)

The TxCDBG has implemented the HUD CPD Outcome Performance Measurement System Reporting and has added the performance measurement objectives and outcomes to its new application guides. All applicants are required to indicate the performance measures that best correspond with the activities they are proposing. TxCDBG staff enter the objectives and outcomes in its internal application review database. Upon the award of the funds, TxCDBG staff enter the performance measure information into the IDIS database. The TxCDBG staff update the information in IDIS as needed. In addition, for existing open contracts, TxCDBG staff has entered the objectives and outcomes for these contracts into the IDIS system.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which TxCDBG has used in the HUD Integrated Disbursement and Information System reporting system, are used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

Affordable housing has been primarily provided using CDBG funds to regions located on the Texas-Mexico border. Based on performance from more recent housing rehabilitation projects, 80 percent of the households benefiting from the housing rehabilitation projects were to minority households. The Texas CDBG program anticipates assisting 32 households in the upcoming year, primarily through housing rehabilitation projects under the Community Development Fund and Colonia Fund, of which 26 are anticipated to be minority households.

During the PY 2011 time period, the anticipated objectives and outcomes for the proposed eligible activities using all CDBG funds available are shown below; however, both the actual objectives and outcomes for individual funded projects may vary within the eligible activities depending on the applicant's determination and selection. The number of activities below assumes the deobligated funds and program income available in PY 2011 will be made available for priorities as currently specified in the action plan:

| HUD Matrix Code | HUD Matrix Name | Objective | Outcome | PY 2010 -Expected Number of Activities |
|---|---|---|---|---|
| 03E | Neighborhood Facilities | Suitable Living Environment | Availability/ Accessibility | 4 |
| 03J | Water/Sewer Improvements | Suitable Living Environment | Availability/ Accessibility | 141 |
| | | Suitable Living Environment | Affordability | 9 |
| | | Suitable Living Environment | Sustainability | 74 |
| 03K | Street Improvements | Suitable Living Environment | Availability/ Accessibility | 96 |
| | | Suitable Living Environment | Affordability | 3 |
| | | Suitable Living Environment | Sustainability | 2 |
| 14A | Rehabilitation; Single Unit Residential | Suitable Living Environment | Availability/ Accessibility | 52 |
| | | Decent Housing | Affordability | 9 |
| | | Decent Housing | Sustainability | 2 |

| HUD Matrix Code | HUD Matrix Name | Objective | Outcome | PY 2010 -Expected Number of Activities |
|---|---|---|---|---|
| 13 | Homeownership Assistance | Decent Housing | Affordability | 1 |
| 03F | Parks, Playgrounds, and Other Recreational Facilities | Suitable Living Environment | Availability/ Accessibility | 2 |
| 05 | Public Service | Suitable Living Environment | Availability/ Accessibility | 3 |
| 03 | Other Public Utilities | Suitable Living Environment | Availability/ Accessibility | 3 |
| | | Economic Opportunity | Sustainability | 1 |
| 04 | Clearance Demolition Activities | Suitable Living Environment | Availability/ Accessibility | 9 |
| | | Suitable Living Environment | Sustainability | 1 |
| 03O | Fire Stations/ Equipment | Suitable Living Environment | Availability/ Accessibility | 4 |
| 18A | ED Direct Financial Assistance for For-Profits | Economic Opportunity | Availability/ Accessibility | 2 |
| | | Economic Opportunity | Affordability | 32 |
| | | | | 450 |

**CDBG Homeless and Special Needs Goals**

| ANNUAL AFFORDABLE HOUSING GOALS | Expected Annual Number of Units To Be Completed |
|---|---|
| Homeless households | 0 |
| Non-homeless households | 2 |
| Special needs households | 30 |

# NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

Situated within a comprehensive network of HIV care services in Texas, the State of Texas HOPWA Formula program meets the unmet housing and supportive services needs of people living with HIV/AIDS (PLWHA) in Texas by providing housing assistance and supportive services to income-eligible individuals living with HIV/AIDS and their families. The goals of the HOPWA program are to help low-income HIV-positive clients establish or maintain affordable and stable housing, to reduce the risk of homelessness, and to improve access to health care and supportive services. As of the end of 2008, 63,019 persons were known to be living with HIV/AIDS in Texas; this does not include persons with HIV who have not been diagnosed.[11] The 2008-2010 Texas Statement of Coordinated Need reported oral health care and housing as the two most frequent gaps in services identified by clients in six of the seven HIV Service Delivery Areas (HSDAs) assessed in Texas.[12]

The State of Texas HOPWA program is administered by the TB/HIV/STD Unit - HIV/STD Prevention and Care Branch of the Department of State Health Services (DSHS) and provides the following services (91.320(d) and (e)):

## TENANT-BASED RENTAL ASSISTANCE (TBRA) PROGRAM

The TBRA program provides tenant-based rental assistance to eligible individuals until they are able to secure other affordable and stable housing.

## SHORT-TERM RENT, MORTGAGE, AND UTILITIES (STRMU) ASSISTANCE PROGRAM

The STRMU program provides short-term rent, mortgage, and utility payments to eligible individuals for a maximum of 21 weeks of assistance in a 52-week period.

## SUPPORTIVE SERVICES PROGRAM

The Supportive Services program provides case management, basic telephone service and assistance to purchase smoke detectors to eligible individuals.

## PERMANENT HOUSING PLACEMENT SERVICES (PHP)

The PHP program provides assistance for housing placement costs which may include application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing.

## ANNUAL PROGRAM GOALS

Based on prior-year performance and level funding from HUD, DSHS estimates that 650 households can be provided with short-term rent, mortgage, and utility payments, 550 households can be provided tenant-based rental assistance, 1,200 can be provided with supportive services and 20 households can be provided permanent housing placement during the 2011 project year.

[11] Texas Integrated Epidemiologic Profile for HIV/AIDS Prevention and Services Planning http://www.dshs.state.tx.us/hivstd/planning/Epi_Profile_02012008.pdf
[12] 2008-2010 Texas Statewide Coordinated Statement of Need

### PROJECT SPONSOR SELECTION PROCESS

DSHS selects seven Administrative Agencies (AAs) across the state through a combination of competitive Requests for Proposals (RFP) and intergovernmental agency contracts. The AAs act as an administrative arm for DSHS by administering the HOPWA program locally for a five year project period. This period is concurrent with the Ryan White Part B grant period, which delivers case management and other supportive services to HOPWA clients.

These AAs in turn select HOPWA Project Sponsors through local competitive processes that are open to all grassroots, faith-based, community-based organizations, and governmental agencies. Each AA contracts with one or more Project Sponsors who directly provide HOPWA services to eligible clients throughout the state's 26 HSDAs. Some Project Sponsors may change during 2011 due to local competitive processes.

### PROGRAM BUDGET

DSHS reserves three percent of the total award for administrative and indirect costs, including, personnel, supplies, travel, training/technical assistance, and contractual support for ARIES. Project Sponsors are allowed up to seven percent of their allocation for personnel or other administrative costs. The funding allocation is distributed geographically by HSDA and is based on a formula including HIV/AIDS morbidity, poverty level, and population distribution with annual adjustments for project sponsor funding needs.

The 2011 HOPWA Program award is based on level funding from 2010, in the award amount of $2,818,502 and the budgeted amount is $3,021,555, including unexpended prior year funds ($203,053) is allocated as follows:

| | |
|---|---|
| DSHS administration (3%) | $84,555 (indirect costs, personnel, supplies, travel, training/technical assistance, contractual support for ARIES) |
| Contractual | $2937,000 |
| TBRA | $1,851,410 |
| STRMU | $440,000 |
| Supportive Services | $420,000 |
| Permanent Housing Placement | $20,000 |
| Project Sponsor Administration (7%) | $205,590 |

### GEOGRAPHIC DISTRIBUTION

§91.320(f) and (k)

The funding allocations are geographically distributed across the state to the 26 HSDAs and all 254 Texas counties.

## ADMINISTRATIVE AGENCIES AND PROJECT SPONSORS

The following chart summarizes the estimated 2011 HOPWA funding allocation for the seven AAs and their 26 Project Sponsors/HSDAs. DSHS distributes funding in excess of the HUD grant award to spend down unobligated balances from previous years. The 2011 funding allocations are estimates based on 2010 funding levels, program expenditures, and waiting lists and may change as the 2011 HUD award is received and contracts are negotiated.

| Administrative Agency | 2010 funding allocation | Project Sponsor/HSDA | 2010 funding allocation |
|---|---|---|---|
| Bexar County | 211,000 | Alamo Area Resource Center/San Antonio | 107,000 |
| | | United Medical Centers/Uvalde | 28,000 |
| | | Victoria City-County Health Department/Victoria | 76000 |
| Brazos Valley Council of Governments<br>P.O. Box 4128<br>Bryan, TX 77805-4128 | 262,000 | Community Action, Inc./Austin | 28,000 |
| | | San Angelo AIDS Foundation/Concho-Plateau | 22,000 |
| | | United Way of the Greater Fort Hood Area/Temple-Killeen | 37,000 |
| | | Project Unity/Bryan-College Station | 70,000 |
| | | Waco/McLennan County Public Health District/Waco | 105,000 |
| Dallas County HHSD<br>2377 North Stemmons Frwy., Ste. 600<br>Dallas, TX 75207-2710 | 59,000 | Dallas County Health and Human Services -HOPWA Program/Dallas | 2,000 |
| | | Your Health Clinic/Sherman-Dennison | 57,000 |
| Houston Regional Resource Group<br>500 Lovett Boulevard, Ste. 100<br>Houston, TX 77006 | 812,000 | AIDS Coalition of Coastal Texas/Galveston | 3,000 |
| | | AIDS Foundation of Houston/Houston | 20,000 |
| | | Health Horizons/Lufkin | 140,800 |
| | | Special Health Resources for Texas, Inc. Longview/Tyler | 448,500 |
| | | Special Health Resources for Texas, Inc. Paris/Texarkana | 82,000 |
| | | Triangle AIDS Network/Beaumont-Port Arthur | 117,700 |
| Lubbock Regional MHMR Center<br>P.O. Box 2828<br>1602 Tenth St.<br>Lubbock, TX 79408-2828 | 588,000 | Panhandle AIDS Service Organization/Amarillo | 132,000 |
| | | Sun City Behavioral Health Center/El Paso | 200,000 |
| | | Permian Basin Community Center/Permian-Basin | 121,000 |
| | | Project CHAMPS/Lubbock | 135,000 |
| South Texas Development Council (STDC)<br>P.O. Box 2187<br>4812 North Bartlett | 824,000 | City of Laredo Health Department/Laredo | 88,000 |
| | | Coastal Bend AIDS Foundation/Corpus Christi | 358,000 |

| Administrative Agency | 2010 funding allocation | Project Sponsor/HSDA | 2010 funding allocation |
|---|---|---|---|
| Laredo, TX 78044-2187 | | Valley AIDS Council/Brownsville | 378,000 |
| Tarrant County Health Department<br>1101 South Main St., Ste. 2500<br>Fort Worth, TX 76104-4802 | 181,000 | AIDS Resources of Rural Texas – Abilene/Abilene | 72,000 |
| | | AIDS Resources of Rural Texas – Weatherford/Fort Worth | 43,000 |
| | | Wichita Falls Wichita County Health Department/Wichita Falls | 66,000 |
| Total | 2,937,000 | | 2,937,000 |

## Client Participation

Clients participate in shaping local approaches to meeting housing needs in three ways:

All areas conduct periodic needs assessment of client needs, and assessment of housing needs are included in such assessments. These assessments vary in methodology and depth with which housing needs are explored, which is appropriate given the varying needs for housing assistance in various areas of the state. Additionally, all Ryan White Part A councils in Texas have either completed special assessments of homeless persons or persons at risk for homelessness, or will be completing such assessments within the next year. Assessments in all EMAs are joint Ryan White Part A and Part B assessments.

All planning areas in the state must have ways for community members, including clients, to have input into local priorities, allocations, and plans. All plans include discussions of how best to deliver services to meet the needs identified in assessments, and plans that prioritize expenditures on housing or identify housing needs that would include discussions of how best to meet these needs. Plans are written on three to four year cycles, but reviewed annually.

Finally, clients shape housing services via direct interactions with service providers. Through the intake system, HIV/AIDS clients are informed about the HOPWA program, assisted with the application, or referred directly to the HOPWA Project Sponsor. Clients' housing needs are also assessed regularly with case managers as circumstances change and as determined by clients' housing plans.

## Outcome Measures

§91.320(c)(3), §91.320(e), §91.320(g)

DSHS HOPWA contractors must address the following outcomes pursuant to the new performance measurement outcome system mandated by HUD:

**Annual Action Plan - Planned Project Results**

| Outcomes and Objectives | Performance Indicators | Expected Number | Activity Description |
|---|---|---|---|
| DH-2 | # of households served | 550 | TBRA housing assistance |
| DH-2 | # of households served | 650 | STRMU housing assistance |
| DH-2 | # of households served | 1,200[13] | Supportive Services (restricted to case mgt., smoke detectors, and phone service) |
| DH-1 | # of households served | 20 | Permanent Housing Placement (security deposits, application fees, credit checks) |
| Key | Availability/Accessibility | Affordability | Sustainability |
| Decent Housing | DH-1 | DH-2 | DH-3 |

HOPWA Homeless **and Special Needs Goals**

| ANNUAL AFFORDABLE HOUSING GOALS | Expected Annual Number of Units To Be Completed |
|---|---|
| Homeless households | 2 |
| Non-homeless households | 1,200 |
| Special needs households | 10 |

[13] This is based on total TBRA and STRMU households expected to be served. All HOPWA households are expected to receive case management services funded by multiple funding streams, including Ryan White, HOPWA, and other leveraged resources.

# OTHER ACTIONS

The actions listed below are Other Actions taken by the Departments to meet the requirements of §91.320(j). Other Actions include Meeting Underserved Needs; Fostering and Maintaining Affordable Housing; Lead-Based Paint Hazard Mitigation; Reducing Poverty-Level Households; Developing Institutional Structure; Coordination of Housing and Services; and Addressing Public Housing Authorities Needs.

# MEETING UNDERSERVED NEEDS

§91.320(j)

Given the large need for affordable housing and the limited supply of funding, one major obstacle is the lack of sufficient funding to meet underserved housing needs in Texas. When compared to the demographic characteristics of Texas, there is a shortage of affordable housing stock and funding sources to assist in the development and maintenance of affordable housing.

Not only does a lack of funding limit the capacity of service providers, but service providers may also lack organizational capacity. Because of the remote nature of smaller communities in rural areas, many of these communities are not aware of public or private resources or do not know how to successfully obtain them. The service providers in these communities may not know when or where to apply for funding, have availability of qualified staff, or have experience completing a successful housing program. Since one focus of the Department is non–participating jurisdictions which are often in rural areas, this lack of organizational capacity is of particular concern for TDHCA.

Another obstacle to affordable housing can be difficulty obtaining a clear title for low-income homeowners. Clear titles are required for homeowners to meet program eligibility requirements and protect TDHCA's investment in affordable housing. Homeowners in need of housing repair or contract-for-deed conversions often have difficulty obtaining a clear title. Titles may not be in the homeowners' name because of divorce or widowing, in which case the ex-spouse is also on the title. Titles with liens are a common occurrence when converting contract-for-deeds into traditional mortgages.

To address underserved needs, TDHCA closely monitors affordable housing trends and issues as well as conducting its own research. For example, as a result of the identification of insufficient funding, the Department requested and received an increase in Housing Trust Fund monies during the 81st Legislative Session. In addition, TDHCA makes adjustments to address community input gathered through roundtable discussions and public hearings held throughout the state. To illustrate this point, for the 2010-2011 Biennium Plan, the Housing Trust Fund is including a capacity-building component into its Rural Housing Expansion Program as a result of public input at a roundtable. To address the clear title issue, TDHCA is investigating a partnership with the Office of the Attorney General to help low-income Texans receive assistance by meeting the clear title program guideline. These efforts, combined with public outreach and education, are part of TDHCA's commitment to overcome obstacles to affordable housing.

## HOME and ESGP Address Underserved Needs

The HOME Program provides grant funds, deferred forgivable loans and repayable loans to Units of General Local Government, nonprofit and for-profit organizations, Community Housing Development Organizations (CHDOs), and Public Housing Authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance with or without accessibility modifications for the acquisition of affordable single family housing, single family housing development, and funding for rental housing development including the preservation of existing affordable or subsidized rental housing.

HOME funds may also be used in conjunction with the Housing Tax Credit Program to construct or rehabilitate affordable rental housing.

ESGP funds are utilized to provide transitional housing. However, funds are awarded based on the requests for funding and the majority of funds are utilized by awardees to provide emergency shelter. These funds meet the needs of local homeless populations. Awardees have limited federal funds available to support the operations and maintenance of shelter facilities. ESGP funds have the flexibility to be utilized for up to 100% of the award for maintenance and operations costs of a shelter.

## CDBG Addresses Underserved Needs

TxCDBG encourages affordable housing projects using several methods in the allocation of CDBG funds to the eligible communities that can participate in its programs, including favorable state scoring and regional prerogative to prioritize funding for housing infrastructure and rehabilitation. Each region is encouraged to set aside a percentage of the regional allocation for housing improvement projects, and housing applications are scored as high priority projects at the state level. Housing projects continue to be funded through the Colonia Self-Help Centers as well.

In addition, CDBG funding provides a cost savings for housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2011, the TxCDBG will make funds available through five different grant categories to provide water or sewer services on private property, with the vast majority being low and moderate income households.

The most commonly cited obstacle to meeting the underserved community development needs of Texas cities (aside from inadequate funding) is the limited administrative capacity of the small rural towns and counties the CDBG program serves. TxCDBG staff offers technical assistance to communities to promote successful CDBG projects.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a TxCDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2011, TxCDBG will make funds available for planning through the Planning and Capacity Building Fund and the Colonia Planning and Construction Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

Another obstacle to meeting underserved needs applies to colonias projects. There have been cases when a county applies to provide water service to an area, but more than one water supply corporation or city may have a Certificate of Convenience and Necessity (CCN) in that territory (CCNs have been issued which have overlapping territories). In these cases, a dispute over which water supply corporation/city has the right to serve the territory (and therefore collect the revenues) may arise. A public hearing process may be necessary to resolve this issue, which can then delay projects for months. TxCDBG will continue to work with regulatory agencies as appropriate to resolve issues in project areas in a timely manner.

### HOPWA Addresses Underserved Needs

The Texas HOPWA program continues to meet the needs of underserved populations in several ways.

As assessed regularly by Ryan White needs assessments in all HSDAs, housing needs are high among people living with HIV/AIDS. The Texas HOPWA program meets the needs of this underserved population throughout the state by providing essential housing and utilities assistance as part of a comprehensive medical and supportive services system. As a result, people living with HIV/AIDS and their families are able to maintain safe and affordable housing, reduce their risk of homelessness, and access medical care and supportive services.

In addition, DSHS is continuing to update funding allocations to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs that are in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, homelessness data, program waitlists, and program expenditures.

# FOSTERING AND MAINTAINING AFFORDABLE HOUSING

§91.320(j)

The Departments provides funds for non-profit and for-profit organizations and units of local government to develop and maintain affordable housing. Funds include grants, low-interest loans, low income housing tax credits, and mortgage revenue bonds.

The Departments coordinate funding of rehabilitation or development of affordable housing with the Housing Tax Credit (HTC) program in accordance with the Qualified Allocation Plan (QAP). In addition, credits awarded through the HTC program can be layered with awarded funds from the HOME or Housing Trust Fund multifamily programs. When more than one source of funds is used in an affordable housing project, the state is able to ensure affordability to low-income renters beyond the rent and occupancy restrictions imposed by U.S. Internal Revenue Service that set the requirements of the HTC program.

## HOME ADDRESSES AFFORDABLE HOUSING

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units with or without refinancing, down payment and closing cost assistance with optional rehabilitation for the acquisition of affordable single family housing, single family development and funding for rental housing preservation of existing affordable or subsidized developments.

## ESGP ADDRESSES AFFORDABLE HOUSING

While TDHCA encourages the use of ESGP funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. Fostering affordable housing is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESGP Program.

## CDBG ADDRESSES AFFORDABLE HOUSING

TxCDBG encourages affordable housing projects using several methods. First, it provides for a scoring preference under the largest fund category. Each of the 24 regions is encouraged to set aside a percentage of the regional allocation for housing improvement projects. The Community Development Fund and Colonia Fund provide for housing rehabilitation to improve affordable housing.

In addition, CDBG funding provides a cost savings that leads to affordable housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2011, the TxCDBG will make funds available through five different grant categories to provide water or sewer services on private property, with the vast majority being low and moderate income households.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a TxCDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2011, TxCDBG will make funds available for planning through the Planning and Capacity Building Fund and the Colonia Planning and Construction Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

### HOPWA Addresses Affordable Housing

HOPWA addresses affordable housing by providing rental assistance for people living with HIV/AIDS and their families. Low-income people living with HIV/AIDS often struggle to make their house payments because of high costs for medical care and medications or loss of employment. HOPWA makes housing costs more affordable for those PLWHA who are income eligible so they can maintain their housing and adhere to their medical treatment.

# LEAD-BASED PAINT HAZARD MITIGATION

§91.320(j)

HUD's final regulations for Title X (24. CFR.105) calls for a three pronged approach to target conditions that pose a hazard to households: (1) notification of occupants about the existence of hazards so they can take proper precautions, (2) identification of lead-based paint hazards before a child can be poisoned and, (3) control of these lead-based paint hazards in order to limit exposure to residents. While TDHCA monitors its properties for compliance with these regulations, at the state level, the Texas Department of State Health Services (DSHS) has been charged with oversight of the Texas Environmental Lead Reduction Rules (TELRR). These rules cover areas of lead-based paint activities in target housing (housing constructed prior to 1978) and child-occupied facilities, including the training and certification of persons conducting lead inspections, risk assessments, abatements, and project design. For all projects receiving over $25,000 in federal assistance, contractors need to follow inspections and abatements standards overseen by DSHS. By following these standards, the state is increasing the access to housing without lead-based paint hazards. The adherence to inspection and abatement standards is related to the extent of lead-based paint in that a majority of the housing in need of rehabilitation is likely housing built before 1978.

## HOME ADDRESSES LEAD-BASED PAINT

The HOME Program requires lead screening in housing built before 1978 for all HOME eligible activities and in accordance with 24 CFR Part 92.355 and 24 CFR Part 35, subparts A, B, J, K, M, and R. The HOME Program increases the awareness of the hazards of lead-based paint by requiring screening for TBRA, homebuyer assistance and homeowner rehabilitation. Furthermore, single-family and multifamily development activities in HOME increase the access to lead-based-paint-free housing through the construction of new housing. The HOME Program requires an environmental site assessment and the abatement of lead-based paint if the structure being rehabilitated was constructed prior to 1978. There is significant training, technical assistance, and oversight of this requirement on each contract funded under the HOME Program.

## ESGP ADDRESSES LEAD-BASED PAINT

For ESGP, TDHCA requires subrecipients to evaluate and reduce lead-based paint hazards for conversion, renovation, or rehabilitation projects funded with ESGP funds, and tracks work in these efforts as required by Chapter 58 of the Environmental Protection Act. During the annual contract implementation training, the Department will provide ESGP subrecipients with information related to lead-based paint regulations and the Department's requirements related to such. The Department will require ESGP funded subrecipients to determine if a housing unit was built prior to 1978, for households seeking ESGP funded rent or rent deposit assistance whose household has a family member(s) 6 year of age or younger. If the housing unit is built prior to 1978, the ESGP subrecipient will notify the household of the hazards of lead-based paint.

ESGP subrecipients utilizing ESGP funds for renovation, rehabilitation or conversion must comply with the Lead Based Paint Poisoning and Prevention Act and the Residential Lead-Based Paint Hazard Reduction Act of 1992. Through renovation, rehabilitation or conversion, ESGP increases access to shelter without lead-based paint hazards. TDHCA evaluates and reduces lead-based hazards for conversion, renovation, or rehabilitation projects funded with ESGP funds and tracks work in these efforts in the ESGP Program as required by Chapter 58 of the Environmental Protection Act.

### CDBG Addresses Lead-Based Paint

The TxCDBG encourages the reduction of lead-based hazards through favorable scoring under its Community Development Funds for the replacement of lead fixtures and other lead hazards that are an imminent public health threat. The TxCDBG program encourages regional priority set-asides for housing projects such as housing rehabilitation. Under the set-aside, the highest ranked applications for a housing activity, regardless of the position in the overall ranking, would be selected to the extent available regional funding permits. These housing rehabilitation projects lead to access to housing without lead hazards. This regional prioritization is related to the extent of lead hazards and the identified need within the region. In addition, lead-based paint mitigation is a common activity eligible under housing rehabilitation that is funded under the Colonia Planning and Construction Fund and Community Development Funds. Each contract awarded requires the sub-grantee to conform to Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) and procedures established by the TxCDBG in response to the Act.

In accordance with CDBG state regulations and the Lead-Based Paint Poisoning Prevention Act, TxCDBG has adopted a policy to eliminate as far as practicable the hazards of lead poisoning due to the presence of lead-based paint in any existing housing assisted under the CDBG. In addition, this policy prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. Abatement procedures should be included in the housing rehabilitation contract guidelines for each project and must appear in the approved work write-up documentation for all homes built prior to 1978 that will be rehabilitated, as outlined in the Housing Rehabilitation Manual.

### HOPWA Addresses Lead-Based Paint

EPA requires that Project Sponsors give all HOPWA clients utilizing homes built before 1978 the pamphlet entitled, “Protect Your Family from Lead in Your Home” during the intake process. The client's case record must include documentation that a copy of the pamphlet was given to the client.

For each HOPWA household, the case manager must certify the following:

If the structure was built prior to 1978, and there is a child under the age of six who will reside in the property, and the property has a defective paint surface inside or outside the structure, the property cannot be approved until the defective surface is repaired by at least scraping and painting the surface with two coats of non-lead based paint. Defective paint surface means: applicable surface on which paint is cracking, scaling, chipping, peeling or loose. If a child under age six residing in the HOPWA-assisted property has an Elevated Blood Lead Level, paint surfaces must be tested for lead-based paint. If lead is found present, the surface must be abated in accordance with 24 CFR Part 35.

# REDUCING POVERTY-LEVEL HOUSEHOLDS

§91.320(j)

TDRA, TDHCA, and DSHS have an important role in addressing Texas poverty. These agencies seek to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means trying to provide long-term solutions to the problems facing people in poverty and targeting resources to those with the greatest need.

## HOME AND ESG ADDRESS POVERTY-LEVEL HOUSEHOLDS

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed 24 months. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug dependency classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency. Additionally, the Department allocates funding toward the rehabilitation and construction of affordable rental housing, incentivizing units to assist very low income households and assists very low income households along the international border of Texas and Mexico by promoting the conversion of contract for deed arrangements to traditional mortgages. The ESG Program funds activities that provide shelter and essential services for homeless persons, as well as intervention services for persons threatened with homelessness. Essential services for homeless persons include medical and psychological counseling, employment counseling, substance abuse treatment, transportation, and other services. While TDHCA supports the use of ESGP funds to help ESGP clients lift themselves above the poverty line, it is not a specific initiative for which TDHCA earmarks ESGP funding or that TDHCA monitors for the ESGP Program.

For individuals threatened with homelessness, homelessness prevention funds can be used for short-term subsidies to defray rent and utility arrearages for households receiving late notices, security deposits, and payments to prevent foreclosure.

## CDBG ADDRESSES POVERTY-LEVEL HOUSEHOLDS

A substantial majority, 86%, of TxCDBG funds are obligated to cities and counties under the funding competitions meeting the national objective to “principally benefit low and moderate income persons.” TxCDBG encourages the funding of communities with a high percentage of persons in poverty through its application scoring. The CDBG projects under this national objective are required to serve 51 percent low to moderate income persons; however, for PY2011, the scoring portion of the largest fund category, the Community Development Fund, provides for points only if it meets the national objective of benefiting low and moderate income persons. In addition, the CDBG allocation formula used to distribute Community Development funds among regions includes a variable for poverty. The percentage of persons in poverty for each region is factored into the allocation formula in order to target funding toward the greatest need.

The CDBG economic development funds have been instrumental in creating infrastructure and jobs. By creating and retaining jobs through assistance to businesses and then providing lower income people access to these jobs, TxCDBG can be a very effective anti-poverty tool. This potential will be further maximized by providing jobs that offer workplace training and education, fringe benefits, opportunities for promotion, and services such as child care. In addition, programs that improve infrastructure affords the opportunity to upgrade existing substandard housing (such as in the colonias) and build new affordable housing where none could exist before.

## HOPWA Addresses Poverty-Level Households

The DSHS HOPWA Program serves HIV positive persons based on income eligibility criteria of no more than 80 percent of the area median income with adjustments for family and household size, as determined by HUD income limits. With varying poverty levels and housing needs in each HSDA across the state, some Project Sponsors may set stricter local income limits to maximize and target HOPWA resources to those with very low-income or poverty-level income. While many of the HOPWA clients assisted may be at poverty-level, this is not a requirement under 24 CFR 574.3.

## DEVELOPING INSTITUTIONAL STRUCTURE
§91.320(j)

TDRA, TDHCA, and DSHS are primarily pass-through funding agencies and distribute federal funds to local entities that in turn provide assistance to households. Because of this, the agencies work with many housing and community development partners, including consumer groups, community based organizations, neighborhood associations, community development corporations, councils of governments, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials, and other state and federal agencies.

There are many benefits to these partnerships: risk and commitment are shared; the principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs; partners are able to concentrate specifically on their area of expertise; and a greater variety of resources ensure a well targeted affordable product.

### HOME AND ESG ADDRESS INSTITUTIONAL STRUCTURE

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving Homebuyer Assistance funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving Tenant-Based Rental Assistance funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services. Finally, partnerships with Community Housing Development Organizations and non profit and private-sector organizations facilitate the development of quality rental housing development and assist in the rehabilitation of owner-occupied housing.

TDHCA encourages ESGP subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESGP funds are required to coordinate services and to provide services as part of a local continuum of care. TDHCA reviews ESGP subrecipients' coordination efforts during on-site and desk monitoring.

### CDBG ADDRESSES INSTITUTIONAL STRUCTURE

CDBG funds are awarded to non-entitlement units of general local government thereby providing these communities with financial resources to respond to its community development needs. Such may include planning; constructing community facilities, infrastructure, and housing; and implementing economic development initiatives. Each applicant to the CDBG fund is required throughout its citizen participation process to inform local housing organizations of its intention to apply for CDBG funding through the CDBG and invite their input into the project selection process.

TxCDBG continues to coordinate with the Texas Department of Housing and Community Affairs, the Texas Department of Agriculture, the Texas Water Development Board, Annual State Agency Meeting on Rural Issues, and the 24 Regional Councils of Governments to further its mission and target beneficiaries of CDBG funds through programs such as the Colonia Self-Help Centers, the Colonia Economically Distressed Areas Program, the Housing Tax Credit Program, and the Texas Capital Fund.

### HOPWA Addresses Institutional Structure

DSHS contracts with eight Administrative Agencies, which contract directly with the Project Sponsors serving all 26 HSDAs in the state to administer the HOPWA program. The AAs also administer the delivery of a range of other HIV health and social services, including the Ryan White grant and State HIV Services funds. This structure ensures the coordination of all agencies serving people with HIV/AIDS, avoids duplication, saves dollars, and provides the best possible coordination of services for people with HIV/AIDS in each local community. HOPWA program information is made available to all HIV service agencies in the HSDA and a referral network is established for potential clients. DSHS HOPWA clients are linked through their case managers to a comprehensive network of medical care and supportive services for persons living with HIV/AIDS and their families, consisting of 64 local providers across the state. HOPWA Project Sponsors collaborate locally with these providers to ensure that clients receive the services they need to begin treatment and remain in care. Additionally, Project Sponsors collaborate with local housing authorities in their areas to assure that HOPWA clients are referred to the housing programs and services that best fit their needs and circumstances. Most notable is collaboration of Project Sponsors with local Housing Choice Voucher programs.

# COORDINATION OF HOUSING AND SERVICES

§91.320(j)

The state agencies are primarily funding entities whose chief function is to distribute program funds to local conduit providers that include units of local government, nonprofit and for profit organizations, community-based organizations, private sector organizations, real estate developers and local lenders. Because the agencies do not fund individuals directly, coordination with outside entities is key to the success of its programs.

There are many benefits to these partnerships. Risk and commitment are shared. The principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs. Partners are able to concentrate specifically on their area of expertise. Finally, a greater variety of resources insure a well targeted more affordable product.

## FAIR HOUSING COORDINATION

Through program requirements and compliance monitoring, TDHCA works to ensure that housing programs benefit individuals without regard to race, color, religion, sex, disability, familial status or national origin. Complaints involving all forms of housing discrimination are also referred to the Texas Workforce Commission Human Rights Division, which oversees the Texas Fair Housing Act. TDHCA addresses fair housing by complying with the Texas Fair Housing Act in TDHCA administered programs and coordinates fair housing efforts with the Human Rights Division of the Texas Workforce Commission, which was created under the Texas Fair Housing Act to directly address public grievances related to fair housing.

## PERSONS WITH DISABILITIES COORDINATION

The Promoting Independence Advisory Committee (PIAC) assists the Health and Human Services Commission in creating the State’s response to the Olmstead decision through the biannual Promoting Independence Plan. This plan highlights the State’s efforts to assist individuals who are desirous of community placement, appropriate for community placement as determined by the state’s treatment professionals and do not constitute a fundamental alteration in the state’s services. TDHCA participates in PIAC meetings and is a member of the Housing subcommittee.

TDHCA has found that directly involving program beneficiary representatives, community advocates and potential applicants for funding in the process of crafting its policies and rules is extremely helpful. This process is often done through a working group format. The working groups provide an opportunity for staff to interact with various program stakeholders in a more informal environment than that provided by the formal public comment process. TDHCA has actively maintained a Disability Advisory Workgroup which provides ongoing guidance to the Executive Director on how TDHCA’s programs can most effectively serve persons with disabilities.

The Department has created a Housing and Health Services Coordination Council (Council) within the Housing Resource Center to increase state efforts to expand service-enriched housing through increased coordination of housing and health services. The Council has conducted research and identified funding opportunities to create service-enriched housing for persons with disabilities and seniors. More information about the Council can be found on page 12.

### Persons with HIV/AIDS Coordination

DSHS addresses the housing needs of AIDS patients through HOPWA. In Texas, HOPWA funds provide emergency housing assistance, which funds short-term rent, mortgage and utility payments to prevent homelessness; and tenant-based rental assistance, which enables low-income individuals to pay rent and utilities until there is no longer a need. In addition to the DSHS statewide program, the cities of Austin, Dallas, Fort Worth, Houston and San Antonio receive HOPWA funds directly from HUD.

The Housing Tax Credit (HTC) Program addresses the needs of people with HIV/AIDS. According to the 2009 Housing Tax Credit Program Qualified Allocation Plan (QAP), HTC offers additional points during the award process for developments that propose to set aside 10 percent of the units for persons with special needs, such as people with AIDS/HIV.

### Homeless Populations Coordination

The first phase of TDHCA's Housing Support Continuum outlined in the Institutional Structure of Agencies section is (1) Poverty and Homelessness Prevention which includes the Community Services Block Grant Program, the Comprehensive Energy Assistance Program and the Emergency Shelter Grant Program, all programs that address or prevent homelessness.

While the HTC Program is well-known and primarily used for the construction, acquisition and/or rehabilitation of new, existing, at-risk and rural rental housing, the HTC Program can also be used to develop transitional housing and permanent supportive housing for homeless populations. Furthermore, according to the 2009 Housing Tax Credit Program QAP, HTC offers additional points during the award process for developments that propose to set aside 10 percent of the units for persons with special needs, such as people who are homeless.

In addition, the Housing Trust Fund may develop or rehabilitate transitional housing and permanent supportive housing for homeless populations. While acquisition, rehabilitation and new construction are eligible activities under the program's Rule, this activity may not occur each year.

#### *Texas Interagency Council for the Homeless*

The Texas Interagency Council for the Homeless (TICH) was created in 1989 to coordinate the State's homeless resources and services. TICH consists of representatives from all state agencies that serve the homeless. The council receives no funding and has no full-time staff, but receives clerical and advisory support from TDHCA. The council holds public hearings in various parts of the state to gather information useful to its members in administering programs. The Council's major mandates include:

- evaluating and helping coordinate the delivery of services for the homeless in Texas;
- increasing the flow of information among service providers and appropriate authorities;
- providing technical assistance to TDHCA in assessing the need for housing for people with special needs;
- developing, in coordination with TDHCA and the Health and Human Services Commission, a strategic plan to address the needs of the homeless; and
- maintaining a central resource and information center for the homeless.

### *Within Reach: Solutions to Homelessness in Texas*

The Department anticipates the release of a publication entitled Within Reach: Solutions to Homelessness in Texas. The draft publication discusses the coordination of state and local resources to prevent and address homelessness.

TDHCA collaborates with the Texas Homeless Network (THN) to build the capacity of homeless coalitions across the State of Texas, enabling them to become more effective in the communities they serve.

The Department also provided funds through THN to support technical assistance workshops for the HUD Continuum of Care homeless application. The purpose of the workshops was to assist communities in creating a network of services to the homeless population.

## HOUSING AND TRANSPORTATION

Because housing and transportation are usually the two highest percentages of a household's budget, TDHCA and the Texas Department of Transportation (TxDOT) are taking initial steps to coordinate affordable housing and public transportation. Staffs of both Departments met in July 2010 and are arranging a series of meetings to determine how best to link providers of affordable housing and public transportation.

# ADDRESSING PUBLIC HOUSING AUTHORITIES NEEDS

§91.320(j)

To address PHA needs, TDHCA has designated PHAs as eligible entities for its programs, such as the Housing Tax Credit (HTC) Program, HOME Program and ESG Program. PHAs have successfully administered HTC funds to rehabilitate or develop affordable rental housing.

TDHCA has worked to promote programs that will repair substandard housing and develop additional affordable housing units. TDHCA has developed a relationship with the Texas Housing Association and the Texas chapter of the National Association of Housing and Redevelopment Officials, which represent the public housing authorities of Texas. Furthermore, PHAs staff members are members of the same workgroups as TDHCA, such as the Rural Housing Workgroup, fostering a connection.

TDHCA also has contact with PHAs when PHAs request certifications of consistency with the State's Consolidated Plan. As required by 24 CFR §903.15, in 1999, TDHCA, started a certification process to ensure that the annual plans submitted by PHAs in an area without a local Consolidated Plan are consistent with the State of Texas's Consolidated Plan.

TDHCA believes that the future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it is important to maintain a relationship with these service providers.

## HOME Addresses PHA Needs

Because PHAs are eligible applicants under the HOME Program, TDHCA provides notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to homebuyer assistance. Furthermore, staff of PHAs, especially those receiving HOME funds and those with Section 8 Homeownership programs, are targeted by TDHCA's Texas Statewide Homebuyer Education Program for training to provide homebuyer education opportunities and self-sufficiency tools for PHA residents.

In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

## ESG Addresses PHA Needs

PHA residents are eligible to receive assistance and services from ESG grantees. Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESGP Program.

## CDBG Addresses PHA Needs

Litigation concerning CDBG funding and public housing authorities, known as *Young v. Martinez*, focused attention and funds on these areas in the past. The State provided three funding set-asides to address Court-ordered activities under the Final Order and Decree for the litigation, obligating a total of $13,664,753.18 for 62 *Young v. Martinez* Fund projects in PHA areas. Although the litigation has been settled, TxCDBG continues to serve public housing areas through other funding categories as residents of PHAs qualify as low to moderate income beneficiaries for CDBG projects.

### HOPWA Addresses PHA Needs

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local housing authorities for client referrals and to address local housing issues.

## PUBLIC HOUSING AUTHORITIES RESIDENT INITIATIVES

The Texas Department of Housing and Community Affairs believes that the future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it is important to maintain a relationship with these service providers.

### HOME addresses Public Housing Resident Initiatives

Because PHAs are eligible applicants under the HOME Program, TDHCA provides notification of published notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME Tenant-Based Rental Assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

### ESGP Addresses Public Housing Resident Initiatives

Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESGP Program.

### CDBG Addresses Public Housing Resident Initiatives

While CDBG does not have a specific fund for PHA residents, it does promote through its Section 3 efforts the use of residents for CDBG-funded projects.

A TxCDBG grant recipient must take steps to follow its adopted Section 3 policy and document those efforts. It must include its Section 3 Policy and Equal Opportunity Guidelines for Construction Contractors in any bid packets for contracts on TxCDBG projects.

For any new employment, training, or contracting opportunities created during the expenditure of TxCDBG funding, the TxCDBG grant recipient and their contractors or subcontractors as applicable must take the following actions “to the greatest extent feasible”:

- Notify Section 3 Residents in writing about training and employment opportunities generated by the TxCDBG-funded project;

- Notify potential contractors completing work on Section 3 covered projects of their responsibilities in writing;

- Incorporate the Section 3 clause into all solicitations and contracts greater than $100,000, as well as all subcontracts of those contracts;

- Facilitate the training and employment of Section 3 Residents;

- Refrain from entering into contracts with contractors that are in violation with the Section 3 regulations (if the Grant Recipient has been notified of such violations); and

- Document actions taken to comply with Section 3.

### HOPWA Addresses Public Housing Resident Initiatives

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local public housing authorities for client referrals and to address local housing issues.

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Approve the Notice of Funding Availability for the Fiscal Year 2011 Emergency Solutions Grants Program (ESGP).

> **RESOLVED,** that the Executive Director be granted the authority to release a Notice of Funding Availability for the Fiscal Year 2011 Emergency Solutions Grants Program, be and is hereby approved.

## Background

The Emergency Shelter Grants Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 11371- 11378), now known as the McKinney-Vento Homeless Assistance Act. ESGP funds are federal funds awarded to the State of Texas by the U. S. Department of Housing and Urban Development (HUD).

On May 20, 2009 President Obama signed into law a bill to reauthorize HUD's McKinney-Vento Homeless Assistance programs. The bill was included as part of the Helping Families Save Their Homes Act and was enacted by Senate bill 896. The new Act which amended the McKinney-Vento Homeless Assistance Act is the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. Subtitle B – Emergency Solutions Grant Program, is the section of the HEARTH Act pertaining to the Emergency Solutions Grants Program and replaces what was formerly the Emergency Shelter Grants Program. The Department anticipates that changes to the Emergency Solutions Grants Program will be fully implemented at the time contracts with subrecipients are executed.

The Texas Legislature designated the Texas Department of Housing and Community Affairs to administer this program pursuant to Sec. 2306.094, Texas Government Code. ESGP funds will be made available to eligible applicants to carry out the purpose of the Emergency Solutions Grants Program based on this statewide competitive NOFA process. The Department has not yet been notified of the ESGP award amount for Texas in FY 2011.

The Department has significantly revised the FY 2011 ESGP NOFA based on the HEARTH Act. The US Department of Housing and Urban Development has not yet released regulations for the new ESG program so some elements of the NOFA may change once federal regulations have been promulgated. The Department has shared a draft of the Scoring Criteria for this NOFA with Abt Associates, a technical assistance provider for HUD, and has received positive feedback suggesting the Department is capturing the intent of the newly revised program. The Department is releasing this NOFA prior to final regulations from HUD due to the requirement that funds must be awarded within 65 days of receipt of the Grant Award letter from HUD, which is expected in early Spring 2011.

# Emergency Solutions Grants Program

# Notice of Fund Availability

# Federal Fiscal Year 2011

NOVEMBER 2010

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR



TO: Interested Parties for the Texas Emergency Solutions Grants Program

FROM: Stuart P. Campbell, Community Services Section Manager

DATE: November 10, 2011

SUBJECT: **FFY 2011 Texas Emergency Solutions Grants Program Notice of Fund Availability**

The Texas Department of Housing and Community Affairs (the Department) is pleased to make available to cities, counties and private non-profit corporations the Notice of Fund Availability (NOFA) for the FFY 2011 Texas Emergency Solutions Grants Program (ESGP), funded by the U.S. Department of Housing and Urban Development (HUD).

The Department will sponsor an ESGP Application Workshop on Thursday, December 2, 2010, from 9:00 a.m. to 5:00 p.m. at the UT Austin J.J. Pickle Research Campus--Commons Center at 10100 Burnet Road in Austin, Texas. Registration will begin at 8:00 a.m. Attendees do not need to pre-register for the workshop and no fee will be charged for participation. Attendance is not mandatory, but all potential applicants are welcome. **The Department encourages all entities that are applying for these competitive ESGP funds to attend this session given this year's application is significantly different than in previous years.**

During this workshop, Department staff will review the enclosed NOFA packet along with the Application document and answer general questions regarding completion of an application. Please review the enclosed application packet prior to the workshop and bring a copy to the session. Participation in this workshop does not imply that a represented applicant organization will receive FFY 2011 ESGP funding.

The Department looks forward to your participation in the workshop and receipt of your completed ESGP application. Questions pertaining to the content of this NOFA packet may only be directed to Rita Gonzales-Garza, Project Manager for Planning and Contract Implementation at (512) 475-3905 (Rita.Garza@tdhca.state.tx.us) This NOFA and its accompanying application are posted on the Department's website: www.tdhca.state.tx.us/community-services/index.htm#esgp.

# Table of Contents

# Workshop Information and Timelines

# Information on ESGP NOFA Workshop

**Pre-Registration Not Required**

| | |
|---|---|
| **Date:** | Thursday, December 2, 2010<br>Registration will begin at 8:00 a.m.<br>The workshop will be from 9:00 a.m.—5:00 p.m.<br>Cafeteria is open on-site for lunch |
| **Location:** | The Commons Center at UT Austin<br>Website: www.utexas.edu/facilities/commons<br>Phone: 512-471-5898<br>Address: 10100 Burnet Road, Austin, Texas, 78758 (corner Burnet Rd and Braker Lane)<br>Building #137, Room #1.102 |
| **Area:** | Located in the northwest area of Austin adjacent to the Intersection of MoPac and Braker Lane, on the University of Texas J.J.Pickle Research Campus.<br>Map at: http://www.utexas.edu/commons/maps/<br>Taxi from airport is approximately $30. Super Shuttle is a reserved service for approximately $15. Call (512) 258-3826 for reservations. |
| **Directions:** | Traveling on IH 35, take the US-183 N exit. Take the Burnet Road exit. At the light, turn right onto Burnet Road and drive 3/4 mile to the east entrance of the J.J. Pickle Research Campus. Turn left into campus and get a temporary parking permit from the guard gate. |
| **Parking:** | Free parking available. |
| **Application:** | Bring your copy of the application to the workshop. |
| **Registration:** | Registration will be on-site. |

# ESGP NOFA Submission Information

## DEADLINE FOR RECEIPT:

Thursday, January 6th, 2011 by 5:00 p.m. CST

## COPIES DUE:

- One Original with original signatures
- Three Complete Paper Copies
- One Electronic Copy on a CD

Applicants must submit one original application, three complete paper copies and one electronic copy on a CD or DVD on or before the deadline. Applications that arrive after the deadline will not be considered. Electronic documents will not be accepted. If you would like to confirm the Department's receipt of application, e-mail Mariana Salazar mariana.salazar@tdhca.state.tx.us two weeks after your submission. The Application must arrive at the physical address by the required deadline.

| | |
|---|---|
| **Mailing Address:** | Community Services Section<br>Attn: Mariana Salazar<br>Texas Department of Housing and Community Affairs<br>Post Office Box 13941<br>Austin, Texas 78711-3941 |
| **Physical Address for courier delivery:** | Texas Department of Housing and Community Affairs<br>1st Floor<br>221 East 11th Street<br>Austin, Texas 78701 |
| **Hand Delivery:** | If you are hand delivering the application, contact Mariana Salazar at (512) 475-4576 or Al Almaguer (512) 305-3908 when you arrive at the lobby of our building so they may accept your application. |

**Please note:** The Department strongly urges applicants to provide ample time for delivery of application packets. Applications sent through US Postal Service and overnight couriers (i.e. UPS. FedEx) have the potential to be misdirected or not delivered within 24 hours.

Questions pertaining to the content of this application packet may be directed to Rita Gonzales-Garza, Project Manager for Planning & Contract Implementation at (512) 475-3905. This application will be posted on the Department's website: http://www.tdhca.state.tx.us/cs.htm#ESGP

# Timeline for Fiscal Year 2011 ESGP NOFA Application Cycle

2011 Program Year: September 1, 2011 - August 31, 2012

| Date | Activity |
|---|---|
| November 12, 2010 | The application will be available through the TDHCA website [www.tdhca.state.tx.us/cs.htm#ESGP](www.tdhca.state.tx.us/cs.htm#ESGP) |
| December 2, 2010 | ESGP Application Workshop will take place from 9:00 a.m. to 5:00 p.m. in Austin at the UT Austin J.J. Pickle Research campus at 10100 Burnet Road, Austin Texas, 78758, Phone: (512) 471-5898. Website: www.utexas.edu/facilities/commons<br><br>The purpose of this workshop is to provide a forum where organizations intending to apply for ESGP funds may ask questions and get information on how to complete the ESGP application.<br><br>Persons do <u>not</u> need to register to attend workshop. Attendance is not mandatory and will not be a factor in awarding ESGP funds. |
| January 6, 2011 | Deadline for applicants to submit 2011 ESGP NOFA Application. |
| May 2011 | Department's Board Approval of the ESGP awards |
| May 2011* | Department's notification to award recipients and applicants.<br><br>Notification is dependent upon U.S. Department of Housing and Urban Development (HUD) funding notification |
| September 1, 2011 | FY2011 ESGP Contract Start Date |

*Dates may change depending on TDHCA's receipt of HUD Grant Award Notification. TDHCA must obligate funds within 65 days of receipt of HUD notification.

# NOFA Instructions

## Background

The Emergency Shelter Grants Program was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. Sec. 11371-11378), now known as the McKinney-Vento Homeless Assistance Act. ESGP funds are federal funds awarded to the State of Texas by the U. S. Department of Housing and Urban Development (HUD).

On May 20, 2009 President Obama signed into law a bill to reauthorize HUD's McKinney-Vento Homeless Assistance programs. The bill was included as part of the Helping Families Save Their Homes Act and was enacted by Senate bill 896. The new Act which amended the McKinney-Vento Homeless Assistance Act is the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. Subtitle B – Emergency Solutions Grant Program is the section of the HEARTH Act pertaining to the Emergency Solutions Grants Program and replaces what was formerly the Emergency Shelter Grants Program. The Department anticipates that changes to the Emergency Solutions Grants Program will be fully implemented at the time contracts with subrecipients are executed and it is possible that to the extent federal guidance varies from this NOFA, contracts will reflect superseding federal guidance.

The Texas Legislature designated the Texas Department of Housing and Community Affairs (the Department) to administer this program pursuant to Sec. 2306.094, Texas Government Code. ESGP funds will be made available to eligible applicants to carry out the purpose of the Emergency Solutions Grants Program based on this statewide competitive NOFA process. The Department has not yet been notified of the ESGP award amount for Texas for FY 2011.

ESGP funds can be utilized for:

(1) The rehabilitation or conversion of buildings for use as emergency shelter for the homeless.

(2) The provision of essential services related to emergency shelter or street outreach, including services concerned with employment, health, education, family support services for homeless youth, substance abuse services, victim services, or mental health services, if –

  (A) Such essential services have not been provided by the local government during any part of the immediately preceding 12-month period or the Secretary determines that the local government is in a severe financial deficit; or

  (B) The use of assistance under this subtitle would complement the provision of essential services.

(3) For maintenance, operation, insurance, provision of utilities, and provision of furnishings related to emergency shelter.

(4) For the provision of rental assistance to provide short-term or medium-term housing to homeless individuals or families or individuals or families at risk of homelessness. Such rental assistance may include tenant-based or project based rental assistance.

(5) Housing relocation or stabilization services for homeless individuals or families or individuals or families at risk of homelessness, including housing search, mediation or outreach to property owners, legal services, credit repair, providing security or utility deposits, utility payments, rental assistance for a final month at a location, assistance with moving costs, or other activities that are effective at—

  (A) stabilizing individuals and families in their current housing; or

(B) quickly moving such individuals and families to other permanent housing.

**Elements of this program are subject to change once final regulations are released by the US Department of Housing and Urban Development (HUD).**

# Program Purpose

The Emergency Solutions Grants Program is designed to be part of a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness. The objectives of the ESGP shall be to:

1) Provide rental assistance for short-term and medium-term housing to homeless individuals or families or individuals at risk of homelessness.
2) Help support emergency shelters for the homeless, but only for use as temporary shelter for persons;
3) Help support the costs of operating and maintaining emergency shelters;
4) Provide essential services so that homeless individuals and individual at risk of homelessness have access to the assistance they need to improve their situation and to obtain housing stability; and
5) Provide housing relocation and stabilization services homeless individuals and individual at risk of homelessness.

**Definition of Homeless**

The HEARTH Act updated the McKinney Vento definition of homelessness. The new definition will go into effect no later than November 20, 2011. A Homeless individual is defined as:

1) An individual or family who lacks a fixed, regular, and adequate nighttime residence;
2) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
3) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangement (including hotels and motels paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing);
4) An individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where he or she temporarily resided;

(1) an individual or family who—
   (A) will imminently lose their housing, including housing they own, rent, or live in without paying rent, are sharing with others, and rooms in hotels or motels not paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, as evidenced by—
      i. a court order resulting from an eviction action that notifies the individual or family that they must leave within 14 days;

ii. the individual or family having a primary nighttime residence that is a room in a hotel or motel and where they lack the resources necessary to reside there for more than 14 days; or
iii. credible evidence indicating that the owner or renter of the housing will not allow the individual or family to stay for more than 14 days, and any oral statement from an individual or family seeking homeless assistance that is found to be credible shall be considered credible evidence for purposes of this clause;

(B) Has no subsequent residence identified; and
(C) Lacks the resource or support networks needed to obtain other permanent housing; and

(2) Unaccompanied youth and homeless families with children and youth defined as homeless under other Federal Statutes who—
(A) Have experience a long term period without living independently in permanent housing,
(B) Have experienced persistent instability as measured by frequent moves over such period, and can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment.
(C) can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment.

(3) Any individual or family who is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or lifethreatening conditions in the individual's or family's current housing situation, including where the health and safety of children are jeopardized, and who have no other residence and lack the resources or support networks to obtain other permanent housing.

# Eligible Applicant Organizations

**Units of general local government**

To be considered as a unit of general local government, an applicant organization must have, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.

**Private nonprofit organizations**

To be considered as a private nonprofit organization, an applicant organization must document existing status as a 501(c) tax-exempt entity. Private nonprofit organizations applying for ESGP funds must be established for charitable purposes and whose activities include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness. The entity’s net earnings may not benefit any individual(s) affiliated with the organization or their governing board.

FAITH-BASED ORGANIZATIONS RECEIVING ESGP FUNDS, LIKE ALL ORGANIZATIONS RECEIVING HUD FUNDS, MUST SERVE ALL ELIGIBLE BENEFICIARIES WITHOUT REGARD TO RELIGION.

## Collaborative Applications

The Department will accept collaborative applications; however, collaborative applications will have to demonstrate that collaboration is occurring and services are not being duplicated. The Department's decision whether two or more organizations constitutes a Collaborative shall be final.

To be considered as a collaborative, the application must include two or more organizations that will use ESGP funds to provide services to the target population as part of a local continuum of care. If a unit of general local government applies for only one organization, this will not be considered a collaborative application.

The Department intends for collaborative applications to be an effort among organizations who serve the homeless population to coordinate services and prevent duplication of services. The Department is encouraging organizations serving homeless persons or those at risk of homelessness to carefully design a service delivery framework which makes the most efficient use of limited resources in the community. An example of this would include one organization providing an Intake and Assessment component, another organization providing a Case Management and Essential Services component, and one or more organizations providing a Housing Search and Placement component. The understanding being that if each provider specializes in a component, applicants and clients will receive services in a shorter time frame and be stably housed or re-housed in a shorter period of time.

The department defines the Intake & Assessment component as activities that include call centers, intake, assessment, and eligibility determination. The Housing Search and Placement component includes identifying available housing, negotiating with landlords, conducting housing inspection, lead-based paint assessment, payment of deposits, payment of rent and utilities, moving costs or temporary lodging at hotel/motel. The Case Management and Essential Services component includes case management, essential services, legal services and credit counseling services.

If an ESGP applicant organization plans to utilize another organization to provide a service such as child care, the organization providing child care would not be considered a collaborative partner, but instead would be considered a subcontractor.

## Award Amounts

The Department has established a minimum of $30,000 and a maximum of $100,000 for ESGP awards. **An organization can submit only one application either as a single entity or as part of a collaborative effort**. A collaborative application is limited to a maximum request of $600,000, with a limit of $100,000 per partner.

Collaborative applications must have no more than one organization designated as the provider of the Intake and Assessment Component and no more than one organization designated as the provider of Case Management and Essential Services, but may have multiple providers for the Housing Search and Placement component unless adequate justification is provided as to why this project design will not work. The Department will not set limitations on the number of organizations within a collaborative application, but the Department does recommend that collaborative applications consider limiting the collaboration to a reasonable number of organizations. The limitations are based on the amount of ESGP funds estimated to be available to each region and the ESGP funding pattern utilized by the Department. The limitations are not to be interpreted as a commitment by the Department to award these amounts. All projects should be planned for a maximum of 12 months.

The Department will provide administrative funds to a unit of general local government (city or county) selected for ESGP funding, whether the entity provides services directly or acts as the lead agency in a collaborative application. These funds will be provided during the final stage of contract negotiation and will not exceed 4% of the applicant's ESGP award.

The Department reserves the right to negotiate the final grant amounts and local match with successful applicants to ensure judicious use of ESGP funds. The Department will consider the amount of HUD funds awarded to entitlement entities (see Appendix IV) when making funding decisions to applicants that are a unit of general local government. Consideration will also be given to providing funding to the primary population areas within each service region. These considerations do not apply to private nonprofit organizations located in ESGP entitlement cities or counties.

## Financial Documentation

An applicant organization that spends more than $500,000 in *federal or state funds* during its fiscal year must have a single audit conducted for that year. The threshold for expenditure of *federal or state funds* was increased from $300,000 to $500,000 for organizations with fiscal years ending after December 31, 2003. If a single audit is required for your organization, a portion of the audit cost may be included in the proposed ESGP budget.

An applicant organization that *does not exceed* the $500,000 federal or state fund expenditure threshold is exempt from the single audit requirements. In this case, audit costs may **not** be included in the proposed ESGP budget.

An applicant organization must include its most recent complete audit report and if applicable, a management letter as part of the financial documentation for this application. If your agency is not required to have a single audit performed, the application must include the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow). For details on financial attachments to include as part of the application, follow instructions on the Application document.

## Contracts and Reporting

Projections of outputs and outcomes within the application will be incorporated into contracts as performance measures.
ESGP contracts will be signed electronically. Applicant organizations must have a computer and access to the Internet.

ESGP monthly reporting will be electronic via the Internet. Applicant organizations must have a computer on-site with the capability to transmit monthly financial and programmatic reports and receive electronic transmissions. Specific information on the format and due dates of required reports will be provided to grant subrecipients. Subrecipients must submit reports monthly, by the due date specified in the contract.

Subrecipients are required to report client-level data in a Homeless Management Information Systems (HMIS) and must enter into an agreement with the local HMIS Administrator for reporting. Domestic Violence providers must report in a comparable database. In lieu of the Subrecipient entering into an agreement with the HMIS Administrator directly, the Department reserves the right to enter into direct agreements with HMIS Administrators to provide HMIS services to ESGP subrecipients and to provide the State with required data.

Subrecipients may request fund advances for up to 30 days need pursuant to 24 CFR §84.22 for non-profit organizations and 24 CFR §85.21 for units of government.

**THE DEPARTMENT MAY TERMINATE THE CONTRACT WITH A SUBRECIPIENT IF ANY SUBRECIPIENT, INCLUDING PARTNERS IN A COLLABORATIVE EFFORT, IS NOT COMPLYING WITH THE REQUIREMENTS OF THE NOFA, THE CONTRACT, AND HUD REQUIREMENTS RELATED TO ESGP.**

## Eligible Program Participants

There are two eligible target populations identified for ESGP funds: persons who are still housed but at risk of homelessness and persons who are already homeless. Subrecipients are responsible for verifying and documenting the individuals' risk of homelessness that qualifies them for receiving assistance. HUD requires that subrecipients evaluate and certify the eligibility of program participants at least once every three (3) months for all persons receiving medium-term rental assistance. If a household or individual needs more intensive services or long-term assistance, or is not at risk of homelessness, subrecipients should link them to other appropriate available resources.

To receive financial assistance or services funded by ESGP, individuals and families, whether homeless or housed, must at least meet the following minimum criteria:

1) Have at least an initial consultation with a case manager or other authorized representative who can determine the appropriate type of assistance to meet their needs.

2) The household must be at or below **30 percent** of the Area Median Income (AMI). Income limits are available on HUD's web site at http://www.huduser.org/datasets/il.html. Subrecipients should use HUD's Section 8 income eligibility standards to determine income eligibility for ESGP funded assistance.

3) The household must be either homeless or at risk of losing its housing and meet both of the following circumstances: no appropriate subsequent housing options have been identified; and the household lacks the financial resources and support networks needed to obtain immediate housing or remain in existing housing. Applicants must meet the "but for" test, that is, **but for** prevention assistance, the household would continue to remain homeless because they lack the financial resources or support networks to obtain housing and they have not subsequent housing options.

a. Prevention Assistance is to be targeted to individuals and families at the greatest risk of becoming homeless. One question to ask is "Would this individual or family be homeless if they were not assisted with ESGP funds?" The assistance must be necessary to avoid eviction or termination of utility services. Consideration should also be given to whether the individual or household will be able to resume payments after the ESGP program cannot assist them. Case management services should be provided to assist the individual and family to work toward self-sufficiency.

b. Rapid Re-Housing Assistance is available for persons who are at risk of homelessness according to HUD's definition. Individuals and families who meet one of the following criteria, along with the minimum requirements, are eligible under the rapid re-housing portion. The criteria are:

   - Sleeping in an emergency shelter;
   - Sleeping in a place not meant for human habitation, such as cars, parks, abandoned buildings, streets/sidewalks;
   - Staying in a hospital or other institution for up to 180 days but was sleeping in an emergency shelter or other place not meant for human habitation (cars, parks, streets, etc.) immediately prior to entry into the hospital or institution;
   - Graduating from, or timing out of, a transitional housing program; and
   - Victims of domestic violence.

**Risk factors for homelessness to consider in developing program guidelines:**

- Eviction within two (2) weeks from a private dwelling (including housing provided by family or friends);
- Discharge within two (2) weeks from an institution in which the person has been a resident for more than 180 days (including prisons, mental health institutions, hospitals);
- Residency in housing that has been condemned by housing officials and is no longer meant for human habitation;
- Sudden or significant loss of income;
- Sudden or significant increase in utility costs;
- Mental health or substance abuse issues;
- Physical disabilities and other chronic health issues, including HIV/AIDS;
- Severe housing cost burden (greater than 50% of income for housing costs);
- Homeless in last 12 months;
- Young head of household (under 25 years with children or pregnant);
- Current or past involvement with child welfare, including foster care;
- Pending foreclosure of rental housing;
- Extremely low income (less than 30% of Area Median Income);

- High overcrowding (the number of persons exceeds health and/or safety standards for the housing unit size);
- Past institutional care (prison, treatment facility, hospital);
- Recent traumatic life event, such as death of a spouse or primary care provider, or recent health crisis that prevented the household from meeting its financial responsibilities;
- Credit problems that preclude obtaining housing; or
- Significant amount of medical debt.

# Sub-populations

The ESGP legislation and guidance stress the importance of ESGP funds being utilized to prevent homelessness to sub-populations including victims of domestic violence, veterans, persons aging out of foster care, and persons released from an institution (including prisons, jails, mental health institutions, hospitals, treatment facilities) who have been a resident for more than 180 days. Consideration will be given to applicants submitting an application demonstrating that they will serve the sub-population(s) identified.

# Other Requirements

**Inspection of Housing Units** Subrecipients who provide rental assistance with ESGP funds will be required to conduct initial and any appropriate follow-up inspections of housing units into which a program participant will be moving. Units should be inspected on an annual basis and upon a change of tenancy. The minimum habitability standards are listed in Appendix III. The Department anticipates that this requirement will only be applicable to households being newly housed. However, this may change upon HUD's release of ESGP regulations.

**Coordination with Continuum of Care (CoC) Planning Efforts** Subrecipients must coordinate with the local CoC to ensure that ESGP activities are aligned with the CoC's strategies for preventing homelessness and ending homelessness. The impact of persons receiving ESGP assistance will ultimately be reported by CoCs through required point-in-time counts and through other data collected by HUD.

**Coordination with Other Providers** Subrecipients must coordinate with other local organizations that are planning and carrying out activities related to prevention and rapid re-housing, including Federal Emergency Management Agency (FEMA) Boards, local agencies responsible for administering and implementing ten-year plans (and other plans) to end homelessness, and agencies that administer mainstream resources such as Temporary Assistance to Needy Families (TANF).

Subrecipients should ensure that program participants are enrolled in all applicable mainstream resources. Subrecipients must carefully assess how ESGP funds can be used in conjunction with other funds from the Recovery Act to prevent homelessness and rapidly re-house homeless persons, and plan a coordinated approach to serving similar target populations. Federal agencies that received funding for serving persons who are homeless or unstably housed include the U.S. Department of Health and Human Services, Education, Homeland Security, and Labor.

**Confidentiality** Subrecipients must develop and implement procedures to ensure that confidential information obtained pursuant to this program is maintained and access is restricted in accordance with the requirements of the Texas Public Information Act.

**Appeals Process.** The subrecipient may terminate assistance to a program participant who violates program requirements. Subrecipients may resume payments to a program participant who was previously terminated. Subrecipients must develop a formal process that recognizes the rights of individuals receiving assistance to due process of law. In terminating assistance to a program participant, the process must at a minimum consist of: (1) written notice to the program participant containing a clear statement of the reasons for termination; (2) a review of the decision, in which the participant is given the opportunity to present written or oral objections before a person other than the person (or a subordinate of that person) who made or approved the termination decision; and (3) prompt written notice of the final decision to the program participant.

**Compliance with Fair Housing and Civil Rights Laws.** Subrecipients must comply with all applicable fair housing and civil rights requirements in 24 CFR§5.105(a).

**New federal requirements:** After May 20, 2011, any emergency shelter that receives ESGP funds and serves families with children under the age of 18 will be prohibited from denying admission to any family based on the age of any child under age 18. Continuum of Care must evaluate the outcomes of ESGP grantees within their boundaries. ESGP grantees must participate in the Consolidated Plan for the geographic area covered by the Continuum of Care. Other federal requirements may apply.

# Eligible Activities

The following eligible activities may be subject to change once final regulations for the Emergency Solutions Grants Program are released by HUD.

ESGP funds are designed to address the immediate needs of homeless persons to assist their movement to permanent housing. ESGP funds may also benefit persons at risk of becoming homeless. Once HUD releases regulations for the Emergency Solutions Grant Program, the eligible activities which are allowed may be further defined. Those changes will be considered in final contract negotiations with awardees.

Persons eligible for assistance must be at 30% of Area Median Income as issued by HUD.

The Department encourages applications to focus on the provision of permanent shelter to persons where the lease is under the name of the client. However, the Department will allow applicants to place persons in transitional housing to homeless individuals and families. Transitional housing projects should be designed to provide housing and appropriate essential services to homeless persons in order to facilitate the movement of individuals or families to permanent housing within a specified time, usually 24 months.

**ESGP grant amounts may be used for one or more of the following activities:**

**1) RENOVATION, REHABILITATION, OR CONVERSION OF BUILDINGS FOR SHELTERS**

Rehabilitation is defined as the labor, materials, tools, and other costs of improving buildings. Examples of allowable rehabilitation projects include, but are not limited to, accumulated deferred maintenance (i.e. replacing flooring), replacement of principle fixtures and components, improvements to increase energy efficiency (i.e. replacing a furnace or air conditioning unit), and structural changes necessary to make the facility accessible for persons with physical disabilities. Rehabilitation projects include deferred repairs for items that are inoperable or broken and in need of replacement prior to the submission of the ESGP application. Rehabilitation does not include non-deferred repairs.

Types of rehabilitation projects include:

a) **Conversion:** a change in the use of a building to an emergency shelter or transitional housing where rehabilitation costs exceed 75% of the value of the building **after** conversion. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **10 years**.

b) **Major rehabilitation:** rehabilitation or conversion involving costs in excess of 75% of the value of the building **prior to** the proposed rehabilitation or conversion. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **10 years**.

c) **Renovation:** rehabilitation that involves costs of 75% or less of the value of the building **prior to** the proposed rehabilitation. If selected for funding, the facility would be required to be used as a shelter for the homeless for at least **3 years**.

All rehabilitation activity funded through ESGP must occur **within the existing structure**, must not increase the square footage of the structure involved, and must comply with local government safety and sanitation requirements, and must satisfy the requirements of 24 CFR 135 Section 3 and Section 504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR 8.23 (a) or (b).

Deferred repairs are items that are inoperable or broken and in need of replacement prior to the application period. These types of repairs are considered Rehabilitation activities.

**2) ESSENTIAL SERVICES/CASE MANAGEMENT**

(4) The provision of essential services related to emergency shelter or street outreach, including services concerned with employment, health, education, family support services for homeless youth, substance abuse services, victim services, or mental health services, if –

(C) Such essential services have not been provided by the local government during any part of the immediately preceding 12-month period or the Secretary determines that the local government is in a severe financial deficit (this provision prohibits using ESGP funds to replace existing government funds); or

(D) The use of assistance under this subtitle would complement the provision of essential services.

Essential Services activities address the immediate needs of homeless individuals and enable homeless persons to become more independent and/or to secure permanent housing. Essential services may include, but not limited to:

a) Assistance in obtaining permanent housing;

b) Medical and psychological counseling and supervision;

c) Employment counseling, job placement, and job training (including tuition and books);

d) Substance abuse services;

e) Assistance in obtaining mainstream assistance, including other federal, state, and local assistance including mental health benefits, medical assistance, Veteran's benefits, and income support assistance such as SSI, TANF, and Food Stamps;

f) Salary for staff whose **sole duty** is to work directly with clients to provide the above services. Staff salaries may include wages and fringe benefits as described in the applicant organization's personnel policies. **No administrative salaries may be paid with Essential Services funds.**

The application must include a job description for any position to be paid in full or in part with ESGP funds under this category. Refer to the Application document for more details.

ESG funds can be used by grantees or their recipients for a new service or a quantifiable increase in the level of service above that provided during the immediately previous 12-month period. However, once a new or increased level of service meets the above standards, ESG funds may then be used to continue funding that service in subsequent years. Once HUD regulations for ESGP are issued, this requirement may be further defined.

Case management includes activities related to the arrangement, coordination, monitoring, and delivery of services related to meeting the housing needs of program participants and helping them obtain housing stability. Component services may include: counseling, developing, securing, and coordinating services, monitoring, and evaluation participant's progress, assuring participants' rights are protected, developing an individualized housing service plan, including a path to permanent housing stability subsequent to HPRP financial assistance.

Outreach and engagement for services or assistance designed to publicize the availability of programs to make persons who are homeless or almost homeless aware of these and other available services and programs.

**3) MAINTENANCE, OPERATION, INSURANCE, UTILITIES, AND FURNISHINGS**

ESGP funds may be used for maintenance, operation, insurance, provision of utilities, and furnishings related to emergency shelter.

**Maintenance** costs include contract services for copier or security system maintenance, pest control, lawn care, contracted janitorial service, etc.

**Operation** costs include facility rent, utilities, internet service, and telephone; building maintenance and non-deferred repairs; food for shelter residents; vehicle maintenance, registration, repairs, and fuel; building or equipment insurance; fidelity bond coverage; office and maintenance supplies; contracted security services, staff mileage reimbursement (for travel relating to ESGP service delivery), and pre-award travel expenses (for successful applicants to attend a contract implementation workshop).

ESGP funds may not be used for recruitment or on-going training of staff, mortgage payments for the organization, or depreciation. If a building is owned by the ESGP subrecipient or a subsidiary, rent may not be charged to ESGP. Only the allocable share of maintenance, utilities, and insurance may be charged.

Non-deferred repairs are items that break during the contract period, such as:

a) repairing a window that is broken;
b) repairs due to water damage; or
c) repairing a broken furnace or air conditioning unit.

*Deferred repairs* are items that are inoperable or broken and in need of replacement prior to the application period. These types of repairs are considered Rehabilitation activities.

**The ESGP regulations do not state that the use of funds for equipment is an allowable use. At this time, such is excluded.** Once HUD regulations for ESGP are issued, this requirement may be further defined.

**Furnishings** may include beds, mattresses, linens, desks, tables, chairs, etc.

An applicant that participates may use ESGP funds to facilitate participation in the Homeless Management Information System (HMIS), which may include the purchase of software and/or annual access fees to facilitate data collection and reporting of client-level information.

**4) RENTAL ASSISTANCE**

For the provision of rental assistance to provide short-term or medium-term housing to homeless individuals or families or individuals or families at risk of homelessness. Such rental assistance may include tenant-based or project based rental assistance. For the provision of housing relocation or stabilization services for homeless individuals or families or individuals or families at risk of homelessness, including housing search, mediation or outreach to property owners, legal services, credit repair, providing security or utility deposits, utility payments, rental assistance for a final month at a location, assistance with moving costs, or other activities that are effective at –

(A) Stabilizing individuals and families in their current housing; or

(B) quickly moving such individuals and families to other permanent housing.

Short-term rental assistance may not exceed rental costs accrued over a period of three (3) months. Medium term rental assistance may not exceed actual rental costs accrued over a period of 4 to 18 months. No participant may receive more than 18 months of assistance. After three (3) months of assistance, a participant must be re-evaluated for eligibility to receive up to 15 additional months of medium-term rental assistance, for a total of 18 months. HUD encourages grantees and sub grantees to provide ongoing case management to all program participants in order to transition them to independence, including permanent housing arrangements.

Rental assistance may be used to pay up to six (6) months of rental arrears for eligible participants. Such may be paid if the rental payment enables the participant to remain in the housing unit for which the arrears are being paid or to move to another unit. If HPRP funds are used to pay arrears, the arrears are included in determining the maximum 18 months of assistance.

Rental assistance must be in compliance with HUD's standard of "rent reasonableness." Information can be located at:
www.hud.gov/offices/cpd/affordablehousing/library/forms/rentreasonablechecklist.doc

**5) HOUSING RELOCATION OR STABILIZATION SERVICES**

For the provision of housing relocation or stabilization services for homeless individuals or families or individuals or families at risk of homelessness, including housing search, mediation or outreach to property owners, legal services, credit repair, providing security or utility deposits, utility payments, rental assistance for a final month at a location, assistance with moving costs, or other activities that are effective at –

(A) Stabilizing individuals and families in their current housing; or
(B) quickly moving such individuals and families to other permanent housing.

Housing search and placement funds may be used for services or activities designed to assist individuals or families in locating, obtaining, and retaining suitable housing. Component services may include: tenant counseling, assisting participants to understand leases, securing utilities, making moving arrangements, representative payee services concerning rent and utilities, and mediation and outreach to property owners related to locating or retaining housing.

Regarding legal services to help pay people stay in their homes, such services must be provided by a lawyer or other person(s) under the supervision of a lawyer to assist program participants with legal advice and representation in administrative or court proceedings related to tenant/landlord matters or housing issues. Legal services related to mortgages are not allowable.

Credit repair includes costs associated with assisting program participants with critical skills related to household budgeting, money management, accessing a free personal credit report, and resolving personal credit issues.

**NOTE:** Staff salaries for staff providing any of the services identified in the Essential Services/Case Management, Rental Assistance, or Housing Relocation or Stabilization Services category may be charged to the identified category. The Department may determine the percentage of staff salaries to be charged to the grant.

Costs related to data collection and reporting for ESGP conducted through the Homeless Management Information Systems (HMIS) or a comparable client-level database are an eligible expense. Reasonable and appropriate costs associated with operating an HMIS for purposes of collecting and reporting data required under ESGP and analyzing patterns of use of ESGP funds are eligible. Eligible costs include purchase of HMIS software and/or user licenses, leasing or purchasing needed computer equipment for providers and the central server, costs associated with data collection, entry and analysis, and staffing associated with the operation of the HMIS, including training. HMIS costs are to be charged to the applicable category (1) thru (6) above.

HMIS activities that are ineligible include planning and development of HMIS systems, development of new software systems, and replacing state and local government funding for existing HMIS. Only those jurisdictions that do not have an HMIS already implemented may use a portion of these funds for HMIS implementation or start-up activities.

## Ineligible Activities

Rehabilitation activities funded through ESGP cannot increase the square footage of the structure involved and must occur within the existing structure. (Refer to Section 504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR 8.23 (1) or (b).)

ESGP funds shall not be utilized for permanent housing; acquisition of real property; new construction; addition of square footage, property clearance or demolition; direct payments to individuals; to support inherently religious activities such as worship, religious instruction, or proselytization; or to rehabilitate or repair buildings such as sanctuaries, chapels, and other rooms that a congregation uses as its principal place of worship.

ESGP funds shall not be used for application for Federal funds or unprogrammed funds.

ESGP funds shall not be used for recruitment or on-going training of staff, depreciation, advertisement, entertainment, conferences, or retreat, public relations, advertising, bad debts/late fees, or mortgage payments of the subrecipient organization.

## Match Requirement

ESGP subrecipients must match their award amount with **an equal amount** or greater amount of resources other than ESGP funds. Therefore, ESGP applicant organizations must demonstrate access to resources that may be used as match **after** the date of the grant award. Matching funds used for this ESGP project may not be used to match any other project or grant. ESGP funds received from units of local government may not be used to match State ESGP funds. Supportive Housing Program and Community Development Block Grants from the U.S. Housing and Urban Development Department may be used as match sources. Match resources may include:

1) **DONATED SUPPLIES:** Donated goods such as clothing, furniture, equipment, etc. Include the source and an estimated value for all donated goods.

2) **CASH DONATIONS OR GRANTS:** Private donations or grants from foundations, nonprofits, or local, state, and federal sources. A single grant may serve as the required match.

3) **VALUE OF DONATED BUILDING:** The fair market value of a donated building in the year that it is donated. The building must be proposed for ESGP-related activities and must not currently be in use for these activities. The narrative should state when the building was donated and for what purpose, the current use of the building, and how long the building has been used for its current purpose. The application must include documentation from a licensed real estate salesperson, broker or licensed appraiser as to the fair market value of the property.

4) **RENT OR LEASE:** Rent paid for space currently used to provide services to the homeless. *Include the source of funds used to pay rent.* The fair market rent or lease value of a building owned by or space that is donated (rent-free) to the applicant organization is also an acceptable match resource. To document fair market value, the application must include a letter from a realtor or appraiser that specifies the location of building, square footage, value per square foot, and total lease or rent value based on 12-month occupancy.

5) **SALARIES:** ANY staff salary paid with general operating funds or grant funds (CSBG, CDBG, United Way, VOCA, etc.). The position(s) used as match must be involved in ESGP-related activities and the hours utilized for match must be for hours worked for ESGP related activities. For each position include the title, annual salary, percentage of time dedicated to ESGP activities, source of funds and the dollar amount proposed as match.

6) **VOLUNTEERS:** TIME and services contributed by volunteers, with a value not to exceed $5 per hour.

# Environmental Review Procedures

## Rehabilitation Projects Only

The 1988 McKinney Amendment Act revised the environmental review procedures for assistance under Title IV of the Act, including ESGP, by making applicable the provisions of, and regulations and procedures under section 104(g) of the Housing and Community Development Act of 1974 (42 U.S.C. Sec. 5304 (f)). The regulations are codified at 24 CFR Part 58. Also, see 24 CFR 576.57e (Release of Funds), and 24 CFR 35 (Lead Based Paint Hazard Reduction).

1) An application from a *private nonprofit organization* that requests funding for Rehabilitation activities must include a letter documenting that the applicant has requested assistance with

environmental requirements from the Chief Elected Official (CEO) of the city or county in which the assisted project will be located. If the applicant is considering using a prior environmental review, refer to environmental review requirements under the Environmental Review Procedures item 4. below. *Collaborative applications* must include this documentation for each applicant organization requesting rehabilitation funds.

2) Applications including a request for Rehabilitation funds must include a completed **Preliminary Environmental Review Checklist (Attachment N)** which has been executed by the authorized signatory for the applicant organization and by a local elected official (or designee) of the city or county that has agreed to assist with the environmental requirements. An organization that is awarded funds for rehabilitation activities must submit a final Environmental Review Checklist.

3) No funds may be obligated or expended for rehabilitation activities until the project has been environmentally cleared. For ESGP funds distributed by the State *to units of general local government*, the unit of general local government must assume the environmental responsibilities, and the State will be responsible for providing a release of funds in accordance with the requirements of 24 CFR Part 58.

   For funds distributed by the State to nonprofit organizations, the State must assume the environmental responsibilities, and HUD will provide the release of funds in this instance.

   In either case, funds may be obligated or expended only after the *Request for Release of Funds* and *Certification of Compliance with Environmental Regulations* at 24 CFR Part 58 have been approved in writing.

4) The Department may accept a previous environmental review if:

   a) the environmental review is not more than 5 years old and no structural changes have occurred;
   b) the certifying entity provides documentation that no environmentally significant changes have occurred since the review was done; and
   c) a copy of the environmental review is submitted as part of the ESGP application.

5) *Units of general local government* that request Rehabilitation funds must assume the required environmental review responsibilities.

6) If the structure proposed for Rehabilitation activities was built prior to 1978, the application must address the risk of the presence of lead-based paint according to the guidelines contained in 24 CFR 35 "*Requirements for Notification, Evaluation and Reduction of Lead-Based paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance.*" The HUD website includes helpful information, including a certification for lead-based paint risk assessment (www.hud.gov/lead/ click on "Training" in left hand column). *Collaborative applications* must include this documentation for each facility for which rehabilitation funds are requested.

# Selection Process & Funds Distribution

The Department utilizes a statewide competitive NOFA to obligate ESGP funds. In FFY 2011, ESGP funds will be reserved for each of the 13 Uniform State Service Regions (Appendix II). A portion of the total funds available will be reserved for each of the 13 Uniform State Service Regions based on the poverty population of each region (i.e. 3.95% of the State's available ESGP allocation will be reserved for Region 1 with 3.95% of the state's poverty population). Poverty population is based on the 2000 U.S. Census figures.

## Prescreening

A team of reviewers will first pre-screen all applications to ensure they meet all eligibility requirements. Applications will be grouped, reviewed, and evaluated according to region. If an application does not meet all eligibility requirements, it will be deemed ineligible and will not be scored. Since this is a competitive process, the Department **will not** notify organizations of any deficiencies during the pre-screening and review process. It is the Department's expectation that before an application is submitted, each organization in a collaborative as well as single organizations, have thoroughly reviewed the application and its requirements. Applicants who have past due unresolved monitoring and audit findings from any TDHCA funded program will be ineligible for ESGP funding.

## Ranking

Applications which meet all eligibility requirements will be reviewed and scored using a standard review instrument, using the scoring structure found in the rating criteria section of this NOFA and the Scoring Criteria found in Appendix I.

The scores assigned by each of the reviewers for each application will be averaged to obtain a team score. Applications will then be ranked according to adjusted score within each region. Applications that receive a score below 70% of the highest score in their region **will not** be considered for funding. However, a score above 70% of the highest score does not guarantee funding. The Department's Board must approve all awards.

## Final Selection

The Department will determine the number of applications which can be funded within each region based on the amount of funds available for distribution in each region. ESGP funds reserved for a particular region will be obligated to eligible applicant organizations within that region. If the region does not have enough eligible applications which meet the funding threshold, funds will be redistributed to regions whose funding is below $250,000.

Applicants not selected to receive ESGP funds may request an appeal from the Department as per Texas Administrative Code, Title 10, Part 1, Chapter 1, Subchapter A, Section 1.7.

# Rating Criteria

Each applicant will be rated in each of the following four categories: project design, organizational capacity, past impact and effectiveness, and community need. In addition, applicants who have received ESGP funds in any one of the Fiscal Years 2007, 2008 and 2009 will be rated against their performance during those three years. Applicants should refer to Appendix I for details on the rating criteria and scoring mechanism.

The project design section evaluates the Applicant's proposed outputs, outcomes, resources to implement the proposed services and the proposed evaluation method to measure the program's impact. The proposed numbers should be based on accurate projections. The numbers proposed in this section will be used as performance measures incorporated into the contracts of the Applicants that are awarded ESGP funds.

In order to be considered for funding, applicants must submit items identified as Threshold Documents.

## Part 1. Project Design (Maximum of 495 points)

**Population, Outputs and Outcomes**

- The population to be served. Programs serving certain subpopulations will receive additional points. (Maximum 20 points)

- Target Outputs: The outputs for the Intake & Assessment, House Search and Placement, Case Management & Essential Services and Shelter component during the 12 month contract period. (Maximum 130 points)

- Target Outcomes: The outcomes for the Housing Search & Placement, Case Management and Essential Services component to be achieved during the 12 month contract period. (Maximum 135 points)

**Inputs and Process**

- The inputs to be committed to the proposed project during the 12 month contract period to achieve the proposed outputs/outcomes. (Maximum 50 points)

- The number of partnerships to achieve the desired results. More points will be awarded to agencies that demonstrate effective collaboration. (Maximum 40 points)

- Process efficiency – the number of days it takes for an agency to process different service components. Agencies that process the different components in less time will receive more points. (Maximum 40 points)

**Evaluation**

- The evaluation method to determine the impact of the proposed services. Points will be awarded for this factor based on the data elements to be collected, the frequency of data collection, the frequency of data entry into HMIS or a comparable database, the evaluation process and client's involvement. (Maximum 80 points)

## Part 2. Organizational Capacity (Maximum of 225 points)

- The Applicant's experience operating an ESGP or HPRP grant. (Maximum 20 points)
- The Applicant's experience administering other homelessness prevention and rapid re-housing program grants (excluding ESGP and HPRP). (Maximum 20 points)
- The Applicant's years of experience using HMIS. (Maximum 15 points)
- The Applicant's use of data quality tools. (Maximum 15 points)
- Improvements to program outcomes due to analysis of data. (Maximum 15 points)
- Years of experience managing homelessness programs or poverty related programs by "key management staff". "Key management staff" consists of the organization's Executive Director, Chief Financial Officer, and directors of homeless assistance programs. (Maximum 30 points)
- The submission of an audit or an End-of-Year Financial Statement for the past fiscal year. (Maximum 40 points)
- The existence of other sources of funds to support services and the operation of the organization as a whole. (Maximum 40 points)
- Whether the Applicant is a participant in a local planning process for the community-wide Continuum of Care or participated in a homeless or anti-poverty coalition, as evidenced by documentation. (Maximum 30 points)

## Part 3. Past Impact and Effectiveness (Maximum of 150 points)

- The percentage of all clients who have exited the Applicant's program and have been placed into permanent or permanent supportive housing in the last 12 months. (Maximum 30 points)
- The percentage of adult clients who, as a result of their participation in the Applicant's program, have obtained or retained employment in the last 12 months. (Maximum 30 points)
- The percentage of adult clients who, as a result of their participation in the Applicant's program, have received a trade certification, license, GED, high school diploma, or completed a minimum of 12 hour of college course work, in the last 12 months. (Maximum 30 points)

- The percentage of adult clients who, as a result of their participation in the Applicant's program, have obtained increased their income or benefits, in the last 12 months. (Maximum 30 points)
- The percentage of adult clients with a mental illness or chemical addiction who, as a result of their participation in the Applicant's program, have stabilized a mental illness or substance abuse for a minimum of 90-days, in the last 12 months. (Maximum 30 points)

## Part 4. Community Need (Maximum of 130 points)

- The relative need for the Applicant's proposed services as certified by needs assessments or service gaps studies conducted in the service area. (Maximum 50 points)
- The percentage of clients to be served that lived in underserved counties. (Maximum 80 points)

## Part 5. Past ESGP Performance & Budget & Match Tables (Maximum of – points to be determined.)

- Whether the Applicant has submitted required reports in a timely manner for previous ESGP grants in Fiscal Years 2007, 2008 and 2009. (Maximum -25 points)
- The percentage of expended funds by the end of the contract period for ESGP grants awarded in Fiscal Years 2007, 2008 and 2009. (Maximum -25 points)
- Whether the Applicant served fewer people than proposed in their applications for Fiscal Year 2009 based on proportional funding levels. (Maximum -25 points)
- A detailed budget description with line items and the basis of cost for the categories: Rehabilitation, Essential Services, Maintenance/Operations, Rental Assistance, Housing Relocation or Stabilization Services. (negative points to be determined)
- A detailed Match Table with a brief description and documentation of the source of match for all resources. (Maximum -30 points)

# Appendices

# Appendix I: Texas FY11 ESGP Scoring Criteria

# Appendix II: TDHCA Service Regions

# Appendix III: Minimum Habitability Standards

# Appendix IV: ESGP Entitlement Cities and Counties

# Appendix V: HEARTH Act Provisions

## Subtitle A: General Provisions
## Subtitle B: Emergency Solutions Grants Program

# Appendix VI: Rural/Underserved Areas

# Appendix VII: Threshold Documents

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| **1.1** | • The services to be provided. | 0 | Indicate which services your program proposes to provide by checking the different components below. Check all that apply:<br><br>1. **Intake & Assessment**: This component includes call centers, intake, assessment, and eligibility determination. ________<br><br>2.**Housing Search & Placement**: This component includes identifying available housing, negotiating with landlords, conducting housing inspection, lead-based paint assessment, payment of deposits, payment of rent, payment of utilities, moving costs or temporary lodging at hotels/motels. ______<br><br>3. **Case Management & Essential Services**: This component includes case management, essential services, legal services and credit counseling services.________<br><br>4. **Renovation or Rehabilitation or Conversion of Shelter**: This component includes the renovation, rehabilitation or conversion of a facility to provide temporary shelter.__________ | No points to be assigned. |
| **1.2** | • The population to be served. Programs serving certain subpopulations will receive additional points. | 20 | Indicate the number of persons to be served through the proposed ESGP funded program:<br><br>1. Persons at risk of homelessness: _______<br><br>2. General homeless (not part of a subpopulation identified below): _______<br><br>3. Persons who fall under the following sub-populations: victims of domestic violence, unaccompanied youth, veterans, persons aging out of foster care, and persons released from an institution (including prisons, jails, mental health institutions, hospitals, treatment facilities), persons living with HIV/AIDS, persons with chronic substance abuse, persons with physical disability and persons with severe mental illness : _______<br><br>4. Total Persons to be served (addition of 1, 2 and 3): _______ | Population Served:<br>Assign points by choosing only one scoring number per question. The numbers indicated for "persons at risk of homelessness" and "general homeless" are only for informational purposes - no points will be assigned for them. Points will only be assigned for subpopulations.<br><br>• If Subpopulations to be served make up at least 16% of total population to be served → 20 points.<br><br>• If Subpopulations to be served make up 10 - 15 % of total population to be served → 15 points.<br><br>• If Subpopulations to be served make up 6-9 % of total population to be served → 10 points.<br><br>• If Subpopulations to be served make up 1-5 % of total population to be served → 5 points.<br><br>• If Subpopulations to be served make up less than 1 % of total population to be served → 0 points |
| | **Target Outputs** | | | |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| **1.3** | • The **outputs** for the Intake & Assessment component during the 12 month contract period. | 20 | Indicate how many unduplicated persons will be assisted during the proposed 12 month contract period.<br><br>**Intake & Assessment:**<br>1. Number of persons at risk of homelessness or who are homeless who will have an ESGP application and eligibility determination conducted. ___________ | Assign points by choosing only one scoring number per question.<br><br>1. Persons receiving Intake & Assessment services:<br>• 1-24 persons → 5 points<br>• 25-200 persons → 7 points<br>• 201-400 persons → 10 points<br>• 401-500 persons → 15 points<br>• 501 + persons → 20 points |
| **1.4** | • The **outputs** for the House Search & Placement component during the 12 month contract period. | 45 | Indicate how many unduplicated persons will be assisted during the proposed 12 month contract period.<br><br>**Housing Search & Placement:**<br>1. Number of persons at risk of homelessness or who are homeless who will receive rental assistance: __________ | Assign points by choosing only one scoring number per question.<br><br>1. Persons receiving Rental Assistance:<br>• 1-9 persons → 5 points<br>• 10-50 persons → 10 points<br>• 51-100 persons → 15 points<br>• 101-150 persons → 20 points<br>• 151 + persons → 25 points |
| | | | 2. Number of persons at risk of homelessness or who are homeless who will receive utility assistance: __________ | 2. Persons receiving Utility Assistance:<br>• 1-25 persons → 2 points<br>• 26-50 persons → 4 points<br>• 51-75 persons → 6 points<br>• 76-100 persons → 8 points<br>• 101 + persons → 10 points |
| | | | 3. Number of persons at risk of homelessness or who are homeless who will receive utility/rent deposits: __________ | 3. Persons receiving Utility/Rent Deposits:<br>• 1-25 persons → 2 points<br>• 26-50 persons → 4 points<br>• 51-75 persons → 6 points<br>• 76-100 persons → 8 points<br>• 101 + persons → 10 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| **1.5** | • The **outputs** for the Case Management & Essential Services component during the 12 month contract period. | 45 | Indicate how many unduplicated persons will be assisted during the proposed 12 month contract period.<br><br>**Case Management & Essential Services:**<br>1. Number of persons at risk of homelessness or who are homeless who will receive case management, enroll in education or employment programs and/or be assisted to apply for mainstream assistance (TANF, Food Stamps, WIC, Child Support, Medicare, Medicaid, Social Security, SSI, Veterans benefits, and other federal and state or county benefits): ___________ | Assign points by choosing only one scoring number.<br><br>1. Persons receiving Case Management & Essential Services:<br>• 1-150 persons → 5 points<br>• 151-300 persons → 10 points<br>• 301-450 persons → 15 points<br>• 451-600 persons → 20 points<br>• 601 + persons → 25 points |
| | | | 2. Number of persons at risk of homelessness or who are homeless who will receive credit repair: ___________ | 2. Persons receiving Credit Repair:<br>• 1-25 persons → 2 points<br>• 26-50 persons → 4 points<br>• 51-75 persons → 6 points<br>• 76-100 persons → 8 points<br>• 100 + persons → 10 points |
| | | | 3. Number of persons at risk of homelessness or who are homeless who will receive legal services related to housing stabilization: ___________ | 3. Persons receiving Legal Services:<br>• 1-25 persons → 2 points<br>• 26-50 persons → 4 points<br>• 51-75 persons → 6 points<br>• 76-100 persons → 8 points<br>• 100 + persons → 10 points |
| **1.6** | • The **outputs** for the Shelter component during the 12 month contract period. | 20 | Indicate how many unduplicated persons will be provided emergency shelter during the proposed 12 month contract period.<br><br>**Shelter:**<br>1. Number of persons who will be served in emergency shelter: _______________ | Assign points by choosing only one scoring number.<br><br>Persons receiving shelter:<br>• 1-25 persons → 5 points<br>• 25-200 persons → 10 points<br>• 201-400 persons → 15 points<br>• 401 + → 20 points |
| | **Target Outcomes** | | | |
| **1.7** | • The **outcomes** for the Housing Search & Placement component to be achieved during the 12 month contract period. | 54 | Indicate which of the following proposed target outcomes the program plans to accomplish:<br><br>**Housing Search & Placement Target Outcomes:**<br>1. Percentage of clients who **will be diverted from homelessness** (i.e. they would have become homeless otherwise) as a result of ESGP- funded prevention assistance: __% | Assign points by choosing only one scoring number per question.<br><br>1. Percentage of clients **diverted from homelessness** due to prevention assistance.<br>• >75% → 12 points<br>• >50% → 8 points<br>• >25% → 4 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| | Permanent Housing refers to community-based housing without a designated length of stay. | | 2. Percentage of clients who **will be placed in Permanent Housing** as a result of ESGP assistance: _____% | 2. Percentage of clients placed into **permanent housing.**<br>• >75% → 12 points<br>• >50% → 8 points<br>• >25% → 4 points |
| | Permanent supportive housing is long-term, community-based housing that has supportive services for homeless individuals with disabilities. | | 3. Percentage of chronically homeless clients who **will be placed in Permanent Supportive Housing** as a result of ESGP assistance: _____% | 3. Percentage of clients placed into **permanent supportive housing.**<br>• >75% → 10 points<br>• >50% → 8 points<br>• >25% → 4 points |
| | | | 4. Percentage of chronically homeless clients who **will be placed in Transitional Housing** (up to 24 months) as a result of ESGP assistance: _____% | 4. Percentage of clients placed into **transitional housing**.<br>• >60% → 8 points<br>• >40% → 6 points<br>• >25% → 2 points |
| | | | 5. Percentage of homeless clients **who will remain housed for a minimum of six months after exiting the program** as a result of ESGP assistance: ______% | 5. Percentage of clients who will remain housed for at least 6 months.<br>• >50% → 12 points<br>• >25% → 8 points |
| **1.8** | • The **outcomes** for the Case Management and Essential Services component to be achieved during the 12 month contract period. | 81 | Indicate which of the following proposed target outcomes the program plans to accomplish:<br><br>**Case Management & Essential Services:**<br><br>1. Percentage of clients who **will have obtained or retained employment as a** result of their participation in the Applicant's program: __________% | Assign points by choosing only one scoring number per question.<br><br>1. Percentage of clients who will have obtained or retained **employment** __________%<br>• >60% → 20 points<br>• >35% → 10 points<br>• >15% → 5 points |
| | | | 2. Percentage of clients who **will have higher income** than they had at the time of program entry, as a result of their participation in the Applicant's program: _______% | 2. The percentage of clients who will have obtained a higher income:________%<br>• >60% → 10 points<br>• >35% → 6 points<br>• >15% → 4 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| | | | 3. Percentage of clients who **will receive a trade certification, license, GED, high school diploma, or complete a minimum of 12 hour of college course work**, as a result of their participation in the Applicant's program: ______% | 3. The percentage of clients who will have obtained a trade certification or higher skills:________% <br>• >60% → 15 points <br>• >35% → 10 points <br>• >15% → 5 points |
| | | | 4. Percentage of persons at risk of homelessness or who are homeless who **will receive other mainstream assistance** as a result of the ESGP assistance: ________% | 4. Percentage of clients who received mainstream services: <br>• >60% → 10 points <br>• >35% → 6 points <br>• >15% → 4 points |
| | | | 5. Percentage of clients at risk of homelessness or who are homeless who **will obtain agreements with creditors** as a result of the ESGP assistance: ______% | 5. Percentage of clients who obtained agreement with creditors: <br>• >60% → 6 points <br>• >35% → 4 points <br>• >15% → 2 points |
| | | | 6. Percentage of persons **whose eviction will be prevented** or otherwise diverted from shelter (i.e. they would have become homeless otherwise) **as a result of ESGP funded legal assistance**: _____% | 6. Percentage of clients who received legal services: <br>• >75% → 10 points <br>• >50% → 6 points <br>• >25% → 4 points |
| | | | 7. The percentage of adult clients with a mental illness or substance abuse who, as a result of their participation in the Applicant's program, **will have stabilized a mental illness or substance abuse** for a minimum of 90-days: ________% | 7. The percentage of adult clients that have stabilized a mental illness or substance abuse for a minimum of 90 days: ________% <br>• >50% → 10 points <br>• >25% → 6points <br>• >15% → 4 points <br>• <15% → 0 points |
| | **Inputs/Process** | | | |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| **1.9** | • The **inputs** to be committed to the proposed project during the 12 month contract period to achieve the proposed outputs/outcomes. | 50 | Describe the program resources that will be used to implement the different components of the program: Intake and Assessment, Housing Search & Placement, and Case Management and Essential Services.<br><br>Include:<br>1. List the number of locations/sites to provide the services/activity, | Input to Output Ratio<br>Assign points by choosing only one scoring number per question.<br><br>1. Number of Sites:<br>• 4 + locations/sites → 10 points<br>• 2- 3 locations/sites → 5 points<br>• 1 locations/sites → 3 points |
| | | | 2. List the number of full time equivalent case workers and/or housing specialists that will administer the ESGP proposed program and provide assistance to applicant/clients.<br><br>Number of case workers: _______<br>Number housing specialists:_______ | 2. Number of Staff:<br>• 4 + staff → 25 points<br>• 3 staff → 20 points<br>• 2 staff → 15 points<br>• 1 staff → 10 points |
| | | | 3. List the number of additional services to be coordinated with ESGP assistance. | 3. Additional Services to be coordinated:<br>• 6 + → 15 points<br>• 3-5 → 10 points<br>• 1-2 → 5 points |
| **1.10** | • The number of partnerships to achieve the desired results.<br><br>More points will be awarded to agencies that demonstrate effective collaboration. | 40 | Provide information on the partners with whom your organization will collaborate informally or formally (by contract) to address the different needs of persons to be served with the ESGP funds. If submitting a collaborative application, include a description of the relationship and coordination that will take place.<br><br>Include:<br><br>1. Names of collaborative partners (including, but not limited to, federal, state, local government, school district(s), business, church, and other non-profits)<br><br>2. Service/activity each partner will offer:<br>______________<br>______________<br>______________ | **List of Partners:**<br>Assign points by choosing only one scoring number per question.<br><br>1. List of partner(s):<br>• 20 + partners → 10 points<br>• 10-19 partners → 7 points<br>• 1-9 partners → 5 points<br><br>2. Additional Services to be provided by partner(s):<br>• 10 + additional services→ 30 points<br>• 6-9 additional services → 20 points<br>• 3-5 additional services → 15 points<br>• 1-2 additional services → 10 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| **1.11** | • Process efficiency - the number of days it takes for an agency to process different service components. Agencies that process the different components in less time will receive more points. | 40 | **Intake & Assessment**<br>1. Indicate the average number of days it will take for a person to have an ESGP eligibility assessment/application completed and eligibility determination from the time of initial call or contact with your organization:<br>____________: Explain basis for projection:____________ | Assign points by choosing only one scoring number per question.<br><br>Average days for Intake and Assessment per person:<br>• 1 day → 10 points<br>• 2 days → 7 points<br>• 3 days → 5 points<br>• 4 days → 3 points<br>• 4+ days → 0 points |
| | | | **Housing Search & Placement:**<br>2. Indicate the average number of days it will take for a person to have an appointment with a housing counselor from the time they are deemed eligible:__________ Explain basis for projection:____________ | 2. Average number of days to have an appointment with a housing counselor:<br>• 1- 3 days → 10 points<br>• 3- 5 days → 5 points<br>• 5- 7 days → 3 points<br>• 7+ days → 0 points |
| | | | 3. Indicate the average number of days it will take the Applicant organization to pay a utility vendor from the time utility assistance is identified as a service that will be offered to the client._______<br>Explain basis for projection:____________ | 3. Average number of days to pay a utility vendor:<br>• 1- 3 days → 10 points<br>• 3- 5 days → 5 points<br>• 5- 7 days → 3 points |
| | | | 4. Indicate the average number of days it will take the Applicant organization to pay rent to a landlord from the time rental assistance is identified as a service that will be offered to the client._______<br>Explain basis for projection:____________ | 4. Average number of days to pay rent to the landlord:<br>• 1- 3 days → 10 points<br>• 3- 5 days → 5 points<br>• 5- 7 days → 3 points |
| | **Evaluation** | | | |
| **1.12** | • The evaluation method to determine the impact of the proposed services.<br><br>Points will be awarded for this factor based on the data elements to be collected, the frequency of data collection, the frequency of data entry into HMIS or a comparable database, the evaluation process and client's involvement. | 80 | **1. Data Elements (10 points)**<br>- For each outputs and outcomes proposed, identify the system and methods to collect the information. | **Data Elements**<br>Assign points by choosing only one scoring number per question.<br><br>- 100 % of the proposed outputs and outcomes identify the system and methods to collect the information→ 10 points<br><br>- >75 % of the proposed outputs and outcomes identify the system and methods to collect the information→ 7 points<br><br>- >50 % of the proposed outputs and outcomes identify the system and methods to collect the information→ 5 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| | | | **2. Frequency of Data Collection (10 points)**<br>- Indicate how often will you collect the data necessary to measure the proposed outputs and outcomes. Check all that apply:<br><br>(1) At intake:________<br>(2) During provision of services:_____________<br>(3) At exit: __________<br>(4) At least 90 days after exit: _________ | **Data Collection**<br>Assign points by choosing only one scoring number per question.<br><br>- Data collected in all four phases → 10 points<br>- Data collected in phases 1 -3 → 5 points |
| | | | **3. Frequency of Data Entry into HMIS or comparable database (40 points)**<br>- Indicate how often will you enter required HMIS data into HMIS or comparable database: Check all that apply:<br><br>(1) Daily :________<br>(2) Weekly:_____________<br>(3) Twice a month: __________<br>(4) Monthly: _________<br>(5) Quaterly: _________ | **Data Collection**<br>Assign points by choosing only one scoring number per question.<br><br>Daily → 40 points<br>Weekly → 30 points<br>Twice a month → 20 points<br>Monthly → 10 points<br>Quaterly → 0 points |
| | | | **Evaluation Process (10 points)**<br>Describe:<br>- how often data will be aggregated<br>- how the data will be monitored for progress towards meeting output and outcome targets<br>- how the results of the evaluation will be used to make programmatic changes. | **Evaluation Process**<br>Assign points by adding all that apply for a maximum of 10 points.<br><br>- The method for aggregating data is described and comphrehensive→ 2 points<br><br>- The method for monitoring progress is described comphrehensive → 2 points<br><br>- The method for making programmatic changes as a results of the evaluation is described and comphrehensive→ 6 points |

| # | Rating Criteria | Maximum Possible Points | Application Question | Scoring Mechanism |
|---|---|---|---|---|
| | | | **Client Involvement (10 points)**<br>Describe how and if clients will be part of the program design, service delivery, and evaluation process. | **Client Involvement**<br>Assign points by choosing only one scoring number per question.<br><br>- Description includes how clients will be involved in the program design, service delivery and evaluation process. → 10 points<br><br>- Description includes how clients will be involved in 2 of the three mentioned processes. → 7 points<br><br>- Description includes how clients will be involved in 1 of the three mentioned processes . → 5 points |
| | **Total of Project Design** | 495 | | |

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Approve the Executive Director to release a Request for Applications to provide Community Services Block Grant (CSBG) services to Mitchell, Taylor, Stephens, and Shackleford Counties beginning January 1, 2010. Due to time constraints, staff is requesting the Board authorize the Executive Director to provisionally award contract(s) to provide such services based on an objective scoring instrument. Any such contracts designating a Community Action Agency shall be subject to the ratification and designation of the Governing Board and the Governor of the State of Texas.

> **RESOLVED,** that the Executive Director is authorized to release a Request for Applications and to negotiate a commitment or commitments of FFY 2011 CSBG funds for state contracts with one or more service providers successfully applying to serve eligible clients in the county and/or county groups referenced below; which contracts shall be expressly made subject to the ratification and designation of them as eligible entities by the Governor of the State of Texas.
>
> - County of Mitchell; and/or;
> - Counties of Taylor, Schackelford, and Stephens.

## Background

In order to meet the requirements of Section 676A of the Community Services Block Grant (CSBG) Act that all areas of the State be served by a CSBG eligible entity, the Department intends to solicit applications to serve the Taylor, Shackelford, Stephens, and Mitchell Counties, which are currently unserved due to the closure of the Community Action Program, Inc. Eligible applicants include organizations with a private non-profit 501 (c) (3) status or a general unit of local government.

The Community Action Program, Inc. (CAP, Inc.) previously administered a series of federal, state, and local programs on behalf of the area's low-income persons. Effective October 1, 2010, CAP, Inc. relinquished all programs under contract with the Texas Department of Housing and Community Affairs, including CSBG. The CSBG Act enables the State to solicit applications from local organizations to resume CSBG-supported services in areas that become unserved.

Contracts to administer the Weatherization Assistance Program (WAP) and the Comprehensive Energy Assistance Program (CEAP) for Mitchell, Taylor, Stephens, and Shackleford Counties have been awarded under a separate RFA.

**COMMUNITY AFFAIRS DIVISION**

**BOARD ACTION REQUEST**

**NOVEMBER 10, 2010**

## Recommended Action

Approve a revision to the scope of services and assistance which can be funded with Homelessness Prevention and Rapid Re-Housing Program (HPRP) funds awarded to the five HPRP pilot projects.

> **RESOLVED**, that HPRP pilot projects be granted the flexibility to amend their HPRP contacts and the scope of their projects to allow for HPRP funds to be utilized to provide financial assistance and legal and credit services.

## Background

The Homelessness Prevention and Rapid Re-housing Program (HPRP) is funded by the U.S. Department of Housing and Urban Development (HUD) through the American Recovery and Reinvestment Act (Recovery Act).

At the July 30, 2009 Board meeting, the Board approved funding for five pilot projects: Caritas of Austin, El Paso Coalition for the Homeless, Dallas County MHMR Center, Any Baby Can, and SEARCH. The pilot projects were required to target hard to serve homeless populations including, but not limited to, persons with mental or physical disabilities, persons with HIV/AIDS, youth exiting foster care or juvenile correctional facilities, and persons with a history of institutional care.

When the Department designed the notice of funding availability for HPRP and in particular for the pilot projects, it did not authorize pilot project recipients to utilize HPRP funds to provide direct client assistance. At the time, the hope was that pilot project organizations would utilize funds to provide case management to clients and refer eligible persons to other HPRP funded providers for financial assistance and for credit and legal services. The HPRP contracts have been in place since September 1, 2009 and HPRP subrecipient operating pilot projects have informed the Department that the needs of their HPRP clients could be better served if they were allowed to budget and utilize HPRP funds to provide financial assistance and legal and credit services. Their inability to provide such services has caused lengthy delays in their clients receiving assistance with rent and other services.

HPRP regulations allow funds to be utilized for financial assistance related to rent, utilities, rent and utility security deposits, moving costs, temporary hotel and motel costs and for credit and legal services.

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Action Item

Approve the 2011 Section 8 Payment Standards for Housing Choice Vouchers.

> **RESOLVED**, the approval of the 2011 Section 8 Payment Standards for Housing Choice Vouchers in accordance with 24 CFR Section 982.503, are hereby approved in the form presented to this meeting.

## Background

The U.S. Department of Housing and Urban Development (HUD) requires Public Housing Authorities (PHAs), such as the Texas Department of Housing and Community Affairs (the Department), to annually adopt a payment standard schedule that establishes voucher payment standard amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. The PHA must establish payment standard amounts for each "unit size," defined as the number of bedrooms (one-bedroom, two-bedrooms, etc.) in each housing unit.

The Department, operating as a PHA, may establish the payment standard amount at any level between 90 percent and 110 percent of the published FMR for that unit size. The Department operates its Housing Choice Voucher Program in 25 counties. Staff recommends using the same payment standard this year as our prior year, which is that the payment standard is 100 percent of FMR for 24 of those counties and 110 percent of FMR for the remaining county, Ellis County. The reason that Ellis is proposed above the other counties is due to the cost of housing in Ellis County, the FMR for the county, and the income levels of Housing Choice Voucher Program participants in the county. This action will allow the Department to continue to cover its portion of the housing assistance payments for tenants in this county.

Staff recommends these payment standards as proposed because it will allow current tenants to continue to afford the units they have selected, will help new tenants find affordable units, and should allow the Department to stay within the budget that we expect for fiscal year 2011. The attached Exhibit A details the Department's recommended payment standards.

# RESOLUTION NO. 11-006

## RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING PAYMENT STANDARD FOR SECTION 8 HOUSING CHOICE VOUCHERS

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time);

WHEREAS, 24 CFR Section 982.503, Voucher tenancy, states that a Public Housing Authority (PHA) must adopt a payment standard schedule that establishes voucher payment amounts for each Fair Market Rent (FMR) area in the PHA jurisdiction. The PHA must establish payment standard amounts for each "unit size."

WHEREAS, the PHA's voucher payment standard schedule shall establish a single payment standard for each unit size in an FMR area;

WHEREAS, the Department in operating as a PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published FMR for that size unit;

WHEREAS, the payment standard amounts on the PHA schedule are used to calculate the monthly housing assistance payment for a family;

WHEREAS, the Department has reviewed the Payment Standards by geographic area, and wishes to establish a Payment Standard at 100 percent of FMR in the areas so referenced in the attached Payment Standards;

WHEREAS, the Department wishes to establish payment standards at 110 percent of FMR in the area so referenced in the attached Payment Standards; and

WHEREAS, such Payment Standards meet the guidelines of the Federal Registers, HUD Handbooks, Notices, Transmittals, and the needs of these communities.

**NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:**

The Governing Board hereby approves and adopts the attached Section 8 Payment Standards for Housing Choice Vouchers for each jurisdiction in which the Department participates as a PHA. The Payment Standards are attached as Exhibit A.

This Resolution shall be in full force and effect from and upon their adoption. The Department shall initiate the Payment Standards effective **January 1, 2011**.

Written notice of the date, hour, and place of the meeting of the Board at which this Resolution was considered, and the subject of this Resolution, was furnished to the Secretary of State and posted for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code; and that written notice of the date, hour, and place of the meeting of the Board and of the subject of this Resolution was published in the *Texas Register* at least seven (7) days preceding the convening of such meeting, as required by the Texas Government Code § 2306 and Texas Register and Texas Government Code, respectively.

**PASSED AND APPROVED this 10th day of November 2010.**

______________________________
Chair of the Governing Board

ATTEST:

______________________________
Secretary to the Board

# 2011 VOUCHER PAYMENT STANDARDS

| | Bedroom Size | | | | | |
|---|---|---|---|---|---|---|
| | **REGION** | **0 BR** | **1 BR** | **2 BR** | **3 BR** | **4 BR** |
| **Atacosa County:** | | | | | | |
| HUD FMR | S | 406 | 472 | 623 | 787 | 810 |
| Payment Standard | | 406 | 472 | 623 | 787 | 810 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Austin County:** | | | | | | |
| HUD FMR | H | 595 | 597 | 718 | 953 | 983 |
| Payment Standard | | 595 | 597 | 718 | 953 | 983 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Bosque County:** | | | | | | |
| HUD FMR | F | 494 | 495 | 595 | 723 | 866 |
| Payment Standard | | 494 | 495 | 595 | 723 | 866 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Brazoria County:** | | | | | | |
| HUD FMR | H | 585 | 652 | 749 | 1033 | 1109 |
| Payment Standard | | 585 | 652 | 749 | 1033 | 1109 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Caldwell County:** | | | | | | |
| HUD FMR | S | 694 | 791 | 963 | 1296 | 1476 |
| Payment Standard | | 694 | 791 | 963 | 1296 | 1476 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Chambers County:** | | | | | | |
| HUD FMR | H | 690 | 767 | 931 | 1241 | 1560 |
| Payment Standard | | 690 | 767 | 931 | 1241 | 1560 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Colorado County:** | | | | | | |
| HUD FMR | H | 475 | 525 | 595 | 786 | 808 |
| Payment Standard | | 475 | 525 | 595 | 786 | 808 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Comanche County:** | | | | | | |
| HUD FMR | F | 482 | 517 | 612 | 779 | 850 |
| Payment Standard | | 482 | 517 | 612 | 779 | 850 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Denton County:** | | | | | | |
| HUD FMR | F | 666 | 738 | 891 | 1160 | 1372 |
| Payment Standard | | 666 | 738 | 894 | 1160 | 1372 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Ellis County:** | | | | | | |
| HUD FMR | F | 666 | 738 | 891 | 1160 | 1372 |
| Payment Standard | | 733 | 812 | 980 | 1276 | 1509 |
| % of Payment Standard | | 110% | 110% | 110% | 110% | 110% |
| **Erath County**: | | | | | | |
| HUD FMR | D | 480 | 521 | 650 | 793 | 817 |
| Payment Standard | | 480 | 521 | 650 | 793 | 817 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |

# 2011 VOUCHER PAYMENT STANDARDS

| | Bedroom Size | | | | | |
|---|---|---|---|---|---|---|
| | REGION | 0 BR | 1 BR | 2 BR | 3 BR | 4 BR |
| **Falls County:** | | | | | | |
| HUD FMR | F | 392 | 535 | 602 | 768 | 797 |
| Payment Standard | | 392 | 535 | 602 | 768 | 797 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Fort Bend County:** | | | | | | |
| HUD FMR | H | 690 | 767 | 931 | 1241 | 1560 |
| Payment Standard | | 690 | 767 | 931 | 1241 | 1560 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Freestone County:** | | | | | | |
| HUD FMR | F | 392 | 535 | 602 | 787 | 811 |
| Payment Standard | | 392 | 535 | 602 | 787 | 811 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Galveston County:** | | | | | | |
| HUD FMR | H | 690 | 767 | 931 | 1241 | 1560 |
| Payment Standard | | 690 | 767 | 931 | 1241 | 1560 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Guadalupe County:** | | | | | | |
| HUD FMR | S | 613 | 682 | 842 | 1086 | 1319 |
| Payment Standard | | 613 | 682 | 842 | 1086 | 1319 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Johnson County:** | | | | | | |
| HUD FMR | F | 673 | 716 | 871 | 1164 | 1289 |
| Payment Standard | | 673 | 716 | 871 | 1164 | 1289 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Kerr County**: | | | | | | |
| HUD FMR | S | 598 | 647 | 728 | 939 | 968 |
| Payment Standard | | 598 | 647 | 728 | 939 | 968 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Lee County:** | | | | | | |
| HUD FMR | S | 477 | 542 | 602 | 824 | 849 |
| Payment Standard | | 477 | 542 | 602 | 824 | 849 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Llano County:** | | | | | | |
| HUD FMR | S | 615 | 619 | 814 | 974 | 1003 |
| Payment Standard | | 615 | 619 | 814 | 974 | 1003 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **McLennan County**: | | | | | | |
| HUD FMR | F | 596 | 597 | 742 | 929 | 959 |
| Payment Standard | | 596 | 597 | 742 | 929 | 959 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Medina County:** | | | | | | |
| HUD FMR | S | 552 | 613 | 721 | 862 | 1049 |
| Payment Standard | | 552 | 613 | 721 | 862 | 1049 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |

# 2011 VOUCHER PAYMENT STANDARDS

| | Bedroom Size | | | | | |
|---|---|---|---|---|---|---|
| | **REGION** | **0 BR** | **1 BR** | **2 BR** | **3 BR** | **4 BR** |
| **Navarro County:** | | | | | | |
| HUD FMR | F | 557 | 567 | 685 | 832 | 859 |
| Payment Standard | | 557 | 567 | 685 | 832 | 859 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Waller County:** | | | | | | |
| HUD FMR | H | 690 | 767 | 931 | 1241 | 1560 |
| Payment Standard | | 690 | 767 | 931 | 1241 | 1560 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |
| **Wharton County:** | | | | | | |
| HUD FMR | H | 477 | 536 | 595 | 787 | 811 |
| Payment Standard | | 477 | 536 | 595 | 787 | 811 |
| % of Payment Standard | | 100% | 100% | 100% | 100% | 100% |

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Approve staff recommendation, based on a Request for Applications process, to award Comprehensive Energy Assistance Program (CEAP) and Weatherization Assistance Program (WAP) contracts to the Rolling Plains Management Corporation.

> **RESOLVED**, that Rolling Plains Management Corporation, a Community Services Block Grant eligible entity, is awarded to administer the CEAP in Shackelford, Stephens, and Taylor counties; and the Weatherization Assistance Program (WAP) in Brown, Callahan, Comanche, Eastland, Haskell, Jones, Kent, Knox, Shackelford, Stephens, Stonewall, Taylor, and Throckmorton counties, is hereby approved in the form presented to this meeting.

## Background

Due to financial insolvency and numerous unresolved monitoring findings, Community Action Program, Inc. voluntarily relinquished their American Recovery and Reinvestment Act (ARRA) WAP, Department of Energy (DOE) WAP, Low Income Home Energy Assistance Program (LIHEAP) WAP, and CEAP contracts, leaving the Abilene service area unserved by these programs. The Department issued a Request for Applications for a permanent replacement provider which closed on September 30, 2010. In response to the Request for Applications, the Department received applications from Central Texas Opportunities (Coleman), Community Services Incorporated (Corsicana), Hill Country Community Action Association (San Saba), Rolling Plains Management Corporation (Crowell), and West Central Texas Council of Governments (Abilene).

All applications have been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance, unresolved audit findings or questioned or disallowed costs have been identified.

Based on the application review by the Department and assigned scores, staff recommends that the Board approve Rolling Plains Management Corporation as the entity to be awarded the CEAP contracts, effective November 1, 2010 through December 31, 2011, for the initial amount of $1,344,625; the ARRA WAP contract, effective November 1, 2010 through August 31, 2011 in the amount of $5,117,316; the DOE WAP contract, effective November 1, 2010 through March 31, 2012 for the initial amount of $83,283; and the LIHEAP WAP contract, effective November 1, 2010 through March 31, 2012 for the initial amount of $745,159.

The initial contracts for Rolling Plains Management Corporation will be amended to reflect the Notice of Grant Awards periodically received by the Department.

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Requested Action

To expedite processing, staff requests advance authorization to release a Request for Applications for the Tom Green County service area Comprehensive Energy Assistance Program (CEAP) contract. The contract is currently administered by the City of San Angelo and provides energy assistance services in Tom Green County. The Subgrantee has informed the Department that as of December 31, 2010, they are relinquishing the CEAP contract. Staff requests approval for the Executive Director to make a commitment to the qualified respondent; and to authorize submission to appropriate federal entities of the eligible respondents to obtain their required approval, and with the condition that all commitments made are subsequently presented to the Board for ratification.

> **RESOLVED,** that the Executive Director is authorized to release a Request for Applications and make future commitments of CEAP funds to eligible respondents to the Request for Applications without specific prior Board approval and to authorize submission to appropriate federal entities of those eligible respondents to obtain their required approval, and with the condition that all commitments made are subsequently presented to the Board for ratification.

## Background

On July 14, 2010 the Texas Department of Housing and Community Affairs (the Department) received notification from the City of San Angelo that they no longer wish to administer the Comprehensive Energy Assistance Program (CEAP) on behalf of the Department, and they will relinquish their CEAP contract effective December 31, 2010. In an effort to ensure that the low income households located in Tom Green County continue to benefit from the services provided by the CEAP, the Department requests authorization to release a Request for Applications to identify an alternative provider to administer the CEAP.

Applicants responding to this RFA must meet the qualifications of the RFA and, as provided in LIHEAP regulations, must be a unit of government or non-profit organization to be an eligible subrecipient of funds. Upon identification of eligible respondents, the Department must still obtain approval from appropriate federal entities to include those respondents. In the interest of expediting submission to those federal entities, staff requests that the Executive Director have the authority to determine final eligibility and submit an entity for approval. All such submissions will be presented to the TDHCA Board for ratification.

**COMMUNITY AFFAIRS DIVISION**

**BOARD ACTION REQUEST**

**NOVEMBER 10, 2010**

## Recommended Action

Authorize the Executive Director to release a Notice of Funding Availability (NOFA) for CSBG State Discretionary Funds, to fund Innovative Programs created by Community Action Agencies under CSBG ARRA.

> **RESOLVED**, that the Executive Director is authorized to release a NOFA for Eligible Entities under the Community Services Block Grant (CSBG) program to fund the continuation of a limited number of innovative programs created through CSBG funds under the American Recovery and Reinvestment Act (ARRA).

## Background

The American Recovery and Reinvestment Act (ARRA) provided $47,666,591 in federal funds for Eligible Entities under the Community Services Block Grant through September 30, 2010. In that period, several Eligible Entities have created new and innovative programs that have helped thousands of low-income Texans obtain needed job skills, education, health care, and other crucial services. Funding for these programs through the CSBG ARRA ceased on September 30, 2010. Many of these programs will not be able to continue without additional financial support.

The Department is proposing to make CSBG State Discretionary Funds available to Eligible Entities to continue a limited number of these programs. The Executive Director would solicit applications from Eligible Entities to receive awards for specific programs for a one-year period.

Department staff will review applications and determine, based on the type of program, number of persons served, sustainability, and other factors, which projects will receive funding.

The Department is authorized to provide Eligible Entities with Discretionary Funds based on Section 375C of the Community Services Act (42 U.S.C. 9901).

**OFFICE OF RECOVERY ACT ACCOUNTABILITY AND OVERSIGHT**

**BOARD REPORT ITEM**
**November 10, 2010**

## Report Item

Presentation and Discussion on a Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act). This item provides an update on the status of the activity relating to each of the Recovery Act programs as well as a summary of the quarterly Section 1512 jobs reporting submitted for July 1, 2010 through September 30, 2010.

### Recovery Act Program Summary

| Program | Activities | Program Status | Total Funding<br>Expended to Date*<br>Percent Expended | Served to Date** | 1512 Reported Data<br>Reported Program Expenditures^^<br>Jobs Created or Retained^ | Timeline / Contract Period |
|---|---|---|---|---|---|---|
| Weatherization Assistance Program | Minor home repair to increase energy efficiency, maximum $6,500 per household.<br><br>Households at or below 200% of poverty. | • Amended WAP Plan submitted to DOE in March was approved June 7.<br>• Contracts executed for 98% of funds, subrecipients drawing funds.<br>• Deobligation /reobligation rule in effect. No deobligations to date.<br>• Second 50% of funds awarded to TDHCA on September 9, 2010. | $326,975,732<br>$96,287,781<br>29.45% | 20,059 units | $83,060,258.23<br>943.33 jobs | • Obligation required by September 30, 2010. (Achieved)<br>• Recipients will be required to expend all funds within a two year contract period (August 31, 2011).<br>• Federal funding expiration date is March 31, 2012. |
| Homelessness Prevention and Rapid Re-Housing Program | Rental asst, housing search, credit repair, deposits, moving cost assistance, & case management. Persons at or below 50% | • All contracts executed and subrecipients currently drawing funds.<br>• October 2010 letter from HUD indicating State on target for expending all funds. | $41,472,772<br>$20,925,661<br>50.46% | 27,906 persons | $19,216,342.63<br>154.52 jobs | • HUD requires 60% of funds expended in 2 years; 100% in 3 years.<br>• Recipients will be required to expend all funds within a two year contract period (by August 21, 2011). |

| Program | Activities | Program Status | Total Funding<br>Expended to Date*<br>Percent Expended | Served to Date** | 1512 Reported Data<br>Reported Program Expenditures^^<br>Jobs Created or Retained^ | Timeline / Contract Period |
|---|---|---|---|---|---|---|
| | AMI. | | | | | |
| Community Services Block Grant Program | Assists existing network of Community Action Agencies with services including child care, job training, and poverty-related programs.<br><br>Persons at or below 200% of poverty. | • All contracts expired on September 30, 2010. Subrecipients are completing final billings and close out and residual expenditures will be drawn over the next 60 days through November 30, 2010 | $48,148,071<br>$47,095,371<br>97.81% | 98,871 persons | $45,665,626.81<br>356.40 jobs | • Obligation required by September 30, 2010. (Achieved)<br>• Recipients required to expend funds within a one year contract period, by Sept 30, 2010. (Awaiting final contract close out.) |
| Tax Credit Assistance Program | Provides assistance for 2007, 2008 or 2009 Housing Tax Credit awarded developments.<br><br>Households at or below 60% AMI. | • Written Agreements executed for 52 awards as of November 1, 2010.<br>• Forty-one (41) loans have closed;<br>• Amount Awarded: $135,776,813 (91.5%)<br>• Amount Closed: $114,300,085 (77.05%) | $148,354,769<br>$45,352,582<br>28.28% | 5,763 households | $38,902,095.25<br>157.59 jobs | • Commitment of 75% of funds required by February 17, 2010. (Achieved)<br>• State must expend 75% of funds by Feb 17, 2011.<br>• Owners must expend 100% of funds by February 17, 2012. |
| Housing Tax Credit Exchange Program^^^ | Provides assistance to 2007, 2008 or 2009 Housing Tax Credit awarded developments.<br><br>Households at or below 60% AMI. | • Written agreements have been executed for 84 out of 84 awards as of November 1, 2010.<br>• Amount Awarded: $577,750,427 (97.2%)<br>• Amount Closed: $577,750,427 (97.2%) | $594,091,929<br>$171,464,797<br>30.57% | 7,795 households | 9,151 jobs | • State must award all funds by December 31, 2010<br>• Owners must incur 30% of costs by December 31, 2010.<br>• Unused funds to be returned by December 2011. |
| Total | | | $1,159,043,273<br>$381,126,192 | 126,777 persons | $186,844,322.92 | |

| Program | Activities | Program Status | Total Funding Expended to Date* Percent Expended | Served to Date** | 1512 Reported Data Reported Program Expenditures^^ Jobs Created or Retained^ | Timeline / Contract Period |
|---|---|---|---|---|---|---|
| | | | 32.88% | 33,617 households | 10,406.44 jobs | |

*This table includes updated expenditure data as of 10/29/10.
**Total served data through 9/30/10 for HPRP and 9/30/2010 for CSBG; 11/02/10 for WAP, 11/03/2010 for TCAP; and 11/02/2010 for HTC Ex. For TCAP and HTC Ex, households represent closed transactions.
^Jobs created or retained between 7/1/10 and 9/30/10. Note that Section 1512 reporting is not required for HTC Exchange and the figure includes total estimated jobs to be created or retained as reported to the U.S. Department of Treasury for 9/30/10.
^^ Program expenditures reported for each program includes subrecipient and TDHCA administrative expenses. Information is updated quarterly. Data was submitted to Recovery.gov for quarter ending 9/30/2010.
^^^ The Housing Tax Credit Exchange Program is not subject to 1512 reporting requirements.

# 10115
# Tuscany Place

**MULTIFAMILY FINANCE DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Requested Action

Deny the appeal to rescind the deficiency notice for #10115, Tuscany Place.

WHEREAS, an application for tax credits was submitted for Tuscany Place on March 1, 2010; and

WHEREAS, on August 10, 2010 a Housing Tax Credit Commitment Notice was issued to the Applicant for a credit allocation of $2,000,000; and

WHEREAS, subsequent to issuance of the 2010 Housing Tax Credit Commitment Notice staff was informed that the development is proposed to be located in an Extra Territorial Jurisdiction ("ETJ") of the City of Houston; and

WHEREAS, a deficiency notice was issued to the Applicant dated September 27, 2010 requesting that the Applicant provide documentation of prior written approval and support for the development from the Governing Body of the municipality of the containing the development in accordance with §50.5(a)(7) of the 2010 Qualified Allocation Plan and 2306.6703; and

WHEREAS, the Applicant filed an appeal dated October 1, 2010 and requested a rescission of the deficiency notice or a waiver of the requirement under §50.5(a)(7) of the 2010 Qualified Allocation Plan; therefore

BE IT RESOLVED, that the appeal of Tuscany Place, #10115 is hereby denied.

## Background

Tuscany Place is a proposed 152-unit multifamily, new construction development in Kingwood, Texas. On July 29, 2010 the TDHCA Board approved a 2010 allocation of Competitive Housing Tax Credits in the amount of $2,000,000 to Tuscany Place. Subsequent to the award and issuance of the 2010 Housing Tax Credit Commitment Notice staff was notified by the City of Houston that the proposed development is located within an Extra Territorial Jurisdiction ("ETJ") of the City of Houston. This fact was not previously identified by the Applicant during the application review process.

Pursuant to §50.5(a)(7) of the 2010 Qualified Allocation Plan if a development is located in a municipality or in a valid Extra Territorial Jurisdiction (ETJ) of a municipality the application will be considered ineligible unless the Applicant has documented prior approval and support of the Development from the Governing Body of the appropriate municipality containing the Development. This QAP requirement is derived from the statutory requirement in 2306.6703(a)(4) which states that an Applicant is ineligible for consideration if located in a municipality with more than twice the state average of credits per capita unless supported by the governing body of that municipality. As a result the Department issued a deficiency notice on September 27, 2010 to the Applicant requesting the required documentation in order to resolve the issue through the Administrative Deficiency process. Instead, the Applicant provided an appeal to the deficiency notice and requested that the notice be rescinded or that the requirement under §50.5(a)(7) of 2010 QAP be waived.

The Applicant's appeal states that in order to determine whether the 2x per Capita rule applies it must first be determined whether the proposed development is in an ineligible location. The appeal further implies that the Department's 2010 Housing Tax Credit Site Demographics Report shows the status of each location within the state as it relates to the 2x per Capita rule. While this report is provided to Applicants, it is done so only as a reference and not as a substitution to the rules in the QAP. Further, the HTC Site Demographics Report does not reflect each and every location that is within an ETJ of a city. The Department relies on the Applicant to have performed their due diligence in determining this fact.

While the Department acknowledges the confusion detailed in the Applicant's appeal, it does not agree with the conclusion made by the Applicant that the 2010 Application Reference Materials overrule the QAP with respect to the 2x per Capita or any other requirement of the QAP. Further, the Department provided the Applicant an opportunity to provide the appropriate correction to this issue within the cure period provided in the Administrative Deficiency process. Instead, the Applicant has not responded to the deficiency notice and, in fact, the City of Houston has communicated with the Department and they have verbally indicated that they do not intend to support this application. Finally, because this requirement is based in statute and no waiver provision exists in statute, staff does not believe that a waiver of this requirement is available.

It is worth noting that should the Board affirm staff's recommendation to deny this appeal the tax credits previously awarded to this application will be rescinded and will be awarded to the next highest scoring application in Urban Region 6.

10115

Deficiency Notice

# Texas Department of Housing and Community Affairs
## Housing Tax Credit Program
## 2010 Application Deficiency Notice

Deficiency Notice Date: September 27, 2010

**THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL**


| Primary Contact: | | Second Contact: | |
|---|---|---|---|
| Contact Name: | Ben Amor | Second Contact: | Debra Guerrero |
| Contact Phone: | (210) 342-8576 | Second Phone: | (210) 487-7878 |
| Contact Fax: | (210) 348-8913 | Second Fax: | (210) 487-7880 |
| Contact E-Mail: | tginfo@tgicorp.org | Second E-Mail: | dguerrero@nrpgroup.com |


Regarding: TDHCA Number 10115, Tuscany Place

In the course of the Department's review of the above referenced application documentation, an Administrative Deficiency, as defined in §50.3(2) of the 2010 Qualified Allocation Plan and Rules, has been identified. An Administrative Deficiency is defined as: "The absence of information or inconsistent information in the Application as is required under §50.5, §50.6, §50.8 and §50.9 of this title, unless determined by the Department as unable to be corrected." By this notice, the Department is requesting documentation to correct the following deficiency or deficiencies:

I. The following Administrative Deficiencies were found in your Threshold Criteria documentation. Threshold Administrative Deficiencies will be handled as described below.

Threshold: Subsequent to the tax credit award of this application, it has come to the Department's attention that the proposed development is located in an Extra-Territorial Jurisdiction (ETJ) of the City of Houston. As a result, the Application is considered ineligible for tax credits because the proposed development lies in an area that has more than twice the state average of units per capita supported by Housing Tax Credits at the time the Application Round began. It is the Applicant's responsibility to determine if a proposed development lies within the boundaries of a city's ETJ and to obtain the documentation required by the QAP in order for an application to remain eligible in the Application Round. Therefore, the Applican must have documented prior written approval and support of the development from the Governing Body of the appropriate municipality containing the development in accordance with the QAP.

Please provide documentation in the form of a letter from the City of Houston confirming that the development is located within the City of Houston's ETJ boundaries, and that the City approves and supports the proposed development in accordance with the two times per capita requirements in the QAP.

II. The following Administrative Deficiencies were found in your Selection Criteria documentation. Selection Administrative Deficiencies will be handled as described below.

Selection:

**Texas Department of Housing and Community Affairs**
**Housing Tax Credit Program**
**2010 Application Deficiency Notice**

Pursuant to §50.9(d)(4), "if Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department by 5:00 p.m CST on the fifth business day following the date of the deficiency notice, then for competitive Applications under the State Housing Credit Ceiling, five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected by 5:00 p.m. CST on the seventh business day following the date of the deficiency notice, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the next business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. This Administrative Deficiency process applies to requests for information made by the Real Estate Analysis Division review." The Department must receive the requested documentation by 5:00 p.m. CST or the documentation will be deemed to have been received the following business day.

All documentation should be submitted as a whole using the Department's FTP server. Once the documents are submitted to the Department via the FTP server, email the staff member issuing this notice at the address below. If you have questions regarding the FTP submission process, contact Jason Burr at jason.burr@tdhca.state.tx.us or by phone at (512) 475-3986.

Sincerely,

Raquel Morales
Multifamily Program Administrator

Phone Number: (512) 475-4610

Email: raquel.morales@tdhca.state.tx.us

# 10115

# Appeal Documents

COATS | ROSE
*A Professional Corporation*

BARRY J. PALMER

bpalmer@coatsrose.com
Direct Dial
(713) 653-7395
Direct Fax
(713) 890-3944

October 1, 2010

Mr. Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
211 East 11th Street
Austin, Texas 78701-2410

RE: Tuscany Place Apartments (TDHCA # 10115);
Appeal of Application Deficiency Notice

Dear Mr. Gerber:

This firm represents Tuscany Place, Ltd. ("Project Owner") in connection with Tuscany Place Apartment (the "Project"). The Project is sponsored by TG 201, Inc., a 501(c)(3) corporation (the "Sponsor"). We are appealing the TDHCA's 2010 Application Deficiency Notice dated September 27, 2010, which requires a letter from the City of Houston confirming that the Project is located within its Extra Territorial Jurisdiction and that the City approves and supports the proposed development in accordance with the two times per capita requirements in the QAP.

Unusual circumstances of this case lead to the conclusion that Section 50.5(a)(7) of the 2010 Qualified Allocation Plan does not apply in this instance, and that no letter from the City of Houston should be required. Accordingly, we are requesting that the Executive Director rescind the Deficiency Notice. Alternatively, if you conclude that the Executive Director does not have the ability to grant this appeal, then we wish to have the matter presented to the TDHCA Board, and we will request that the Board either confirm that under the provisions of the QAP, no letter from the City of Houston is needed, or in the alternative, that the requirement of such a letter is waived.

**The 2X Rule**

The Project is located in the unincorporated Kingwood area in Montgomery County. The Project is also located within five (5) miles of the City of Houston city limits and is therefore considered to be in the Extra Territorial Jurisdiction (the "ETJ") of the City of Houston. Section 50.5(a)(7) of the QAP states that if the "Development is located in a municipality or in a valid Extra Territorial Jurisdiction (ETJ) of a municipality, or if located completely outside a municipality, a county, that has more than twice the state average of units per capita supported by Housing Tax

Credits or private activity bonds at the time the Application Round begins, …" then the development is ineligible unless the applicant has obtained prior approval of the development and a written statement of support from the Governing Body of the appropriate municipality or county containing the development (the "2X Rule").

**Determining Whether the 2X Rule Applies**

In order to determine whether the 2X Rule applies, you must first look to see whether the proposed development is in an ineligible location. The status of the location should be shown in the TDHCA's 2010 Competitive Housing Tax Credit Demographic Characteristics table published as part of the 2010 Reference Materials maintained on-line by the TDHCA. The TDHCA staff has made this effort relatively painless by providing three separate listings sorted by "Place," "County" and "[Census] Tract." The Place and County listings specifically state whether the 2X Rule applies.

**ETJ is not ineligible by virtue of the 2X Rule**

Under the language of the QAP, either the municipality, the ETJ of a municipality or the county must be reviewed to determine whether the 2X Rule is invoked. Since the Project is not located within the incorporated city limits of Houston, but is only located within the ETJ of Houston, we are required to determine whether Houston's ETJ has more than twice the number of tax credit and/or private activity bond units per capita than the State average. Unfortunately, the number of units within the City of Houston's ETJ is not shown in the reference materials provided. However, if we were to assume that Houston's ETJ consisted of 100% of the portions of Harris, Fort Bend and Montgomery Counties which are NOT located within the city limits of Houston, then the ETJ still would not be in excess of twice the State average, because none of these counties by itself has an average that exceeds twice the State average of units per capita supported by tax credits and/or private activity bonds. (See Exhibit "A" attached)

**Houston, Montgomery County is not ineligible by virtue of the 2X Rule**

Because the ETJ of the City of Houston is not a designated "Place" in the TDHCA's Reference Materials, it might be argued that the Applicant should instead look up the City of Houston and follow the requirements for the municipality. Unfortunately, the Reference Materials do not permit that alternative for this Project. The Place listing only shows a listing for Houston, Harris County, Texas (see Exhibit "B" attached) But the Project is not located in the City of Houston, Harris County – it is located in the ETJ of the City of Houston, Montgomery County. To follow the 2X Rule determination for Houston, Harris County would be clearly inappropriate for this Project since it is located in Montgomery County. This circumstance is not taken into consideration in the data provided by the Demographic Characteristics Table; however the Instructions for the Place listing do give you an alternative that can be followed:

**Following the Instructions**

We next go to the Instructions at the top of the Place listing to determine what to do in this instance. Note 3 (highlighted on Exhibit "A") states that "…A site located outside the boundaries of an incorporated place will use the County HTC per capita. …" The Project is located outside the incorporated boundaries (the city limits) of the City of Houston and it is additionally located outside the boundaries of Harris County. Pursuant to Note 3, the Applicant is directed to the County HTC per capita to determine whether the 2X Rule applies.

**<u>Montgomery County is not ineligible by virtue of the 2X Rule</u>**
Going to the County listing (a portion of which is shown as Exhibit "C" attached), we find that Montgomery County does not violate the 2X Rule. If the 2X Rule is not violated, then the development's location does not require a resolution from the Governing Body to be eligible.

**<u>Source of Confusion and Controversy</u>**
It is our understanding that TDHCA staff disagrees with the process above, and thinks that having failed to find the Houston ETJ in the Place listing, and having failed to find Houston, Montgomery County in the Place listing, the Applicant should have gone to Houston, <u>Harris</u> County. Because the Houston, <u>Harris</u> County listing indicates the 2X Rule applies, the TDHCA staff has indicated that this Project must provide a resolution from the City Council. We think this would have been clearly incorrect and contrary to the instructions provided in the Reference Materials.

It is unfortunate that the 2010 Competitive Housing Tax Credit Site Demographic Characteristics table did not deal with Houston, <u>Montgomery</u> County or Houston, <u>Fort Bend</u> County or the City of Houston without regard to county – but the fact is that those locations are not included in the Places listing. There is also no listing for Kingwood, Montgomery County, since Kingwood is unincorporated. Rather than accepting the determination for a location that clearly is not where the Project will be located, the Applicant followed the Instructions in the Place listing to instead refer to the County listing. There was no question that required the Applicant to seek elaboration from the TDHCA staff, because the Instructions were unambiguous and plainly designed to provide a direction when the Reference Materials did not address the location of a proposed development. <u>The Applicant is therefore being penalized for following the Instructions.</u>

**<u>Summary</u>**
This is a case where the Applicant unmistakably followed the clear language of the QAP and the Instructions as provided in the TDHCA's Demographics Characteristics table. The Project's location brought to light a glitch in what the TDHCA staff perceives to be the appropriate process for determining whether the 2X Rule applies. The glitch is that in multi-county municipalities, the Demographics Characteristics table does not include all counties encompassed by the municipality. (For example, we note that the City of Dallas only deals with Dallas County locations and does not address the portions of Dallas located within Collin, Denton, Kaufman and Rockwall Counties.) Although the additional counties are not addressed in the Instructions, the Instructions are quite explicit regarding what to do if a development is located outside the boundaries of an incorporated place. Not only is the direction explicit, it is included under Instruction #3, which is exclusively for the use of determining whether the 2X Rule applies (Note that the column heading for the 2X Rule information refers the user to Instruction #3). This is not the case of a misapplication of a generalized Instruction.

For the reasons set forth above, we hereby request that the TDHCA rescind the post-award Deficiency Notice that was issued with regard to this Project. In the event that this determination is not made by the Executive Director, we request that this matter be heard before the November 10, 2010 Board Meeting.

Very truly yours,

Barry J. Palmer

Enclosures

cc: Ben Amor
MaryAnn VanShorr

# Exhibit "A"

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

## 2010 Competitive Housing Tax Credit Site Demographic Characteristics as of December 23, 2009

Notes:
(1) QAP 50.5(a)(7), 2X Per Capita - A "Yes" in this column for a place indicates that the place violates the 2X per capita limitation; a "No" indicates that the place does not violate the 2X per capita limitation. HTC unit data is based on Board approvals through 10/15/2009. Population data is based on Texas State Data Center 2008 Population Estimate. (December 23, 2009 Version)

| County Name | 2008 County Population Estimate | HTC Units in the County | County Units Per Capita | Area HTC Per Capita/TX HTC Per Capita | County Per Capita > 2x TX HTC Per Capita (1) | Previous status |
|---|---|---|---|---|---|---|
| Fort Bend | 523339 | 1501 | 0.00 | 0.36 | No | No |
| Harris | 3922115 | 42901 | 0.01 | 1.39 | No | No |
| Montgomery | 425999 | 3747 | 0.01 | 1.12 | No | No |

# Exhibit "B"

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

# 2010 Competitive Housing Tax Credit Site Demographic Characteristics as of December 8, 2009

Instructions:
A site located outside the boundaries of a place (as designated by the 2000 U.S. Census) will use the Affordable Housing Need Score of the place whose boundary is closest to the development site.
If information for a specific place is not included in the table, or for any other questions relating to scoring for an application, submit questions in writing to Jason Burr via email at jason.burr@tdhca.state.tx.us.
Notes:
(1) These area designations may be updated when TRDO releases the 2009 areas eligible for funding or applicants may petition TDHCA to update the "Rural" designation of a place within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the place has an incorporated area boundary that touches the boundary of another place with a population of over 25,000. Such petitions must be submitted in writing to Jason Burr at jason.burr@tdhca.state.tx.us. To treat all applicants equitably, such communication must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications. The results of such petitions will be posted on the HTC application updates portion of the website at http://www.tdhca.state.tx.us/multifamily/htc.index.htm and any changes to the area designations will be e-mailed to the applicant contact e-mail addresses as listed in the application.
(2) QAP 50.9(i)(12), Affordable Housing Needs Score - The number represented for the place is the number of points that may be requested for a Competitive Housing Tax Credit Application for the 2009 Application Round.
(3) QAP 50.5(a)(7), 2X Per Capita - A "Yes" in this column for a place indicates that the place violates the 2X per capita limitation, a "No" indicates that the place does not violate the 2X per capita limitation. HTC Unit Data is based on Board approvals through 10/15/2009. Population data is based on Texas State Data Center 2008 Population Estimate. A site located outside the boundaries of an incorporated place will use the County HTC per capita. The HTC per capita status of the Census Designated Places (CDP) shown in the table below is based on the county per capita. (December 23, 2009 Version)

| Region | Place | County | Area Type-Rural or Urban (1) | 2000 Census Population | 2008 Population Estimate | Affordable Housing Need Score (2) | HTC Units in Place | Place Per Capita/ TX Per Capita | Pl Per Cap > 2x TX Per Cap (3) | CDP | Status Changed from Previous Analysis |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Hitchcock | Galveston | Rural | 6386 | 7265 | 3 | 286 | 4.99 | Yes | | |
| 6 | Holiday Lakes | Brazoria | Rural | 1095 | 1186 | 6 | 0 | 0.00 | No | | |
| 8 | Holland | Bell | Rural | 1102 | 1127 | 3 | 68 | 7.65 | Yes | | |
| 2 | Holliday | Archer | Rural | 1632 | 1739 | 3 | 0 | 0.00 | No | | |
| 9 | Hollywood Park | Bexar | Urban | 2983 | 3341 | 6 | 0 | 0.00 | No | | |
| 13 | Homestead Meadows North | El Paso | Rural | 4232 | 4205 | 5 | 0 | 0.00 | No | Yes | |
| 13 | Homestead Meadows South | El Paso | Rural | 6807 | 6862 | 6 | 0 | 0.00 | No | Yes | |
| 9 | Hondo | Medina | Rural | 7897 | 9142 | 3 | 214 | 2.97 | Yes | | |
| 3 | Honey Grove | Fannin | Rural | 1746 | 1893 | 3 | 32 | 2.14 | Yes | | |
| 4 | Hooks | Bowie | Rural | 2973 | 3170 | 4 | 0 | 0.00 | No | | |
| 13 | Horizon City | El Paso | Rural | 5233 | 9812 | 3 | 72 | 0.93 | No | | |
| 7 | Horseshoe Bay | Llano | Rural | 3337 | 3567 | 4 | 0 | 0.00 | Yes | Yes | |
| 6 | Houston | Harris | Urban | 1953631 | 2149948 | 4 | 34574 | 2.04 | Yes | | |
| 1 | Howardwick | Donley | Rural | 437 | 467 | 6 | 0 | 0.00 | No | | |
| 3 | Howe | Grayson | Urban | 2478 | 2937 | 5 | 0 | 0.00 | No | | |

1476574.1/005886.000032

# Exhibit "C"

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

## 2010 Competitive Housing Tax Credit Site Demographic Characteristics as of December 23, 2009

Notes:
(1) QAP 50.5(a)(7), 2X Per Capita - A "Yes" in this column for a place indicates that the place violates the 2X per capita limitation; a "No" indicates that the place does not violate the 2X per capita limitation. HTC unit data is based on Board approvals through 10/15/2009. Population data is based on Texas State Data Center 2008 Population Estimate. (December 23, 2009 Version)

| County Name | 2008 County Population Estimate | HTC Units in the County | County Units Per Capita | Area HTC Per Capita/TX HTC Per Capita | County Per Capita > 2x TX HTC Per Capita (1) | Previous status |
|---|---|---|---|---|---|---|
| Live Oak | 12108 | 60 | 0.00 | 0.63 | No | No |
| Llano | 19220 | 308 | 0.02 | 2.03 | Yes | Yes |
| Loving | 62 | 0 | 0.00 | 0.00 | No | No |
| Lubbock | 263675 | 1740 | 0.01 | 0.84 | No | No |
| Lynn | 5943 | 0 | 0.00 | 0.00 | No | No |
| Madison | 13840 | 84 | 0.01 | 0.77 | No | No |
| Marion | 10621 | 56 | 0.01 | 0.67 | No | No |
| Martin | 4881 | 0 | 0.00 | 0.00 | No | No |
| Mason | 3676 | 0 | 0.00 | 0.00 | No | No |
| Matagorda | 36862 | 222 | 0.01 | 0.76 | No | No |
| Maverick | 52666 | 320 | 0.01 | 0.77 | No | No |
| McCulloch | 8177 | 76 | 0.01 | 1.18 | No | No |
| McLennan | 226456 | 1673 | 0.01 | 0.94 | No | No |
| McMullen | 859 | 0 | 0.00 | 0.00 | No | No |
| Medina | 44107 | 285 | 0.01 | 0.82 | No | No |
| Menard | 2349 | 24 | 0.01 | 1.30 | No | No |
| Midland | 126353 | 540 | 0.00 | 0.54 | No | No |
| Milam | 25468 | 68 | 0.00 | 0.34 | No | No |
| Mills | 5213 | 24 | 0.00 | 0.58 | No | No |
| Mitchell | 9482 | 56 | 0.01 | 0.75 | No | No |
| Montague | 19802 | 150 | 0.01 | 0.96 | No | No |
| Montgomery | 425999 | 3747 | 0.01 | 1.12 | No | No |
| Moore | 19805 | 0 | 0.00 | 0.00 | No | No |
| Morris | 13168 | 48 | 0.00 | 0.46 | No | No |
| Motley | 1465 | 0 | 0.00 | 0.00 | No | No |
| Nacogdoches | 62671 | 645 | 0.01 | 1.31 | No | No |
| Navarro | 49207 | 150 | 0.00 | 0.39 | No | No |
| Newton | 14146 | 23 | 0.00 | 0.21 | No | No |

# 10115

# Executive Director’s Response

October 15, 2010

Barry Palmer
Coats Rose
3 East Greenway Plaza, Suite 2000
Houston, Texas 77046-0307

Re: Appeal of Application Deficiency Notice for Application #10115, Tuscany Place Apartments

Dear Mr. Palmer,

**Appeal Review**

I have carefully reviewed the appeal received on October 1, 2010, by the Texas Department of Housing and Community Affairs (the "Department"), regarding your request to have the deficiency notice for this application dated September 27, 2010 rescinded.

The deficiency notice was issued post award after the Department was made aware of the fact that the proposed development is located within the Extra Territorial Jurisdiction (the "ETJ") of the City of Houston. Given that this is the case, a resolution from the City of Houston with respect to 2x per Capita was required to be submitted to the Department by April 1, 2010, pursuant to §50.5(a)(7). Your appeal states that "unusual circumstances of this case lead to the conclusion that Section 50.5(a)(7) of the 2010 Qualified Allocation Plan does not apply in this instance…"

While the Department acknowledges the confusion detailed in your appeal it does not agree with the conclusion made by the Applicant that the 2010 Application Reference Materials overrides the QAP with respect to 2x per Capita or any other requirement of the QAP. Further, upon the revelation of the development's location within the City of Houston's ETJ, the Department provided an opportunity for the Applicant to provide the appropriate correction to this issue within the cure period provided in the deficiency notice September 27, 2010. The deficiency notice requested that the Applicant provide documentation of written approval and support of the proposed application from the Governing Body of the appropriate municipality containing the development. The Applicant has not indicated an opportunity to get such documentation and, in fact, the City of Houston has verbally indicated that they would be opposed to this application. The Executive Director has no ability to waive this requirement and it is questionable as to whether the TDHCA Board can waive this requirement given that it is derived from state statute.

**<u>Appeal Determination</u>**
Your appeal is denied.

Per your request, your appeal to the Board has been placed on the November 2010 Board meeting agenda. Pursuant to §50.17(b)(4) of the 2010 Qualified Allocation Plan and Rules, if you wish to submit any further documentation for your Board appeal, the documentation **<u>must</u>** be received by 5:00 p.m. CST on **November 1, 2010** to be placed with the November 2010 Board materials. If no additional documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Sincerely,

Michael Gerber
Executive Director

MFF/rbm

cc: Ben Amor
Debra Guerrero

**HOME PROGRAM DIVISION**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Deny the appeal for reinstatement of the Tax Credit Assistance Program ("TCAP") application (TDHCA #09750) for Residences at Weatherford in Weatherford, Parker County.

> **WHEREAS**, the TCAP application for Residences at Weatherford was terminated on October 11, 2010 due to Material Noncompliance under the Housing Tax Credit program for Residences at DeCordova, an affiliated transaction, and
>
> **WHEREAS**, the Applicant has appealed to the Board for reinstatement of the TCAP application
>
> **RESOLVED**, that the Board denies the Applicant's appeal for reinstatement of the TCAP application (TDHCA #09750) for Residences at Weatherford in Weatherford, Parker County.

## Background

On October 11, 2010, TDHCA issued a notice of termination of the Round 1 Tax Credit Assistance Program ("TCAP") application for Residences at Weatherford (f.k.a., Gardens of Weatherford). The subject is a 76-unit development approved by the TDHCA Board in 2006 and financed with locally-issued multifamily mortgage revenue bonds, 4% housing tax credits, and a TDHCA HOME loan. As the attached timeline ("Exhibit A") shows, the Department has worked through multiple issues associated with Residences at Weatherford.

Termination of the TCAP application was based on Material Noncompliance under the Housing Tax Credit ("HTC") program for Residences at DeCordova, an affiliated transaction. Spectrum Housing Corporation ("Spectrum"), a nonprofit organization, acts as managing general partner for both Residences at DeCordova and the subject development. Current rules prevent the Department from closing on financing for any transaction that includes Spectrum as an owner entity as long as the instance of Material Noncompliance remains uncured. The owner responded to the termination letter within the five (5) day deadline and requested reinstatement of the TCAP application as well as an extension to the TCAP closing deadline.

During the termination process, staff became aware of pending foreclosure proceedings for Gardens of Mabank, also an affiliated transaction with Spectrum acting as managing general partner. As of October 14, 2010, the foreclosure proceedings were scheduled for November 2, 2010. Foreclosure of an affiliated transaction would also prevent the

Department from moving forward with the TCAP loan closing for Residences at Weatherford. Staff has confirmed that this foreclosure has been postponed and the owner of Gardens of Mabank is said to be in negotiations to resolve the default. However, the issue has not been fully resolved.

The Executive Director denied the owner's request for reinstatement of the subject TCAP application in a letter dated October 21, 2010 ("ED Letter"). The ED Letter identified the following issues:

- The continued standing of Material Noncompliance under the HTC program for the affiliated development, Residences at DeCordova;
- The consequences of foreclosure of the affiliated development, Gardens of Mabank; and
- The undue increased program or financial risk to the Department or State due to the federal deadline of February 16, 2011 for 75% expenditure of the State's total TCAP allocation.

On October 29, 2010, the owner submitted a second request (attached as "Exhibit B") for reinstatement of the TCAP application as well as an extension to the closing deadline. Each of the issues from the ED Letter was addressed as follows:

- "Completing the LURA for Residences at DeCordova cures the Material Noncompliance with respect to that property;"
- The foreclosure proceedings for Gardens at Mabank scheduled for November 2, 2010 have been cancelled; the owner believes "this matter has been resolved, and no foreclosure will occur;" and
- The owner worked with its contractor to prepare an expenditure and draw spreadsheet showing that "78.38% of the TCAP funds can be expended, with the aggregate draw requests … submitted by January 14, 2011."

Furthermore, the owner wants to emphasize that "by funding the Weatherford Property, TDHCA will bring 76 new affordable units that cannot otherwise be developed without these funds."

Staff has reviewed the information presented by the owner and continues to have concerns. Staff recommends Board denial of the request for reinstatement of the TCAP application for Residences at Weatherford for the following reasons:

- Although the LURA for Residences at DeCordova is in the process of being recorded, therefore curing the Material Noncompliance, there is a request to amend the LURA after recording to reduce the required number of affordable units.
- Follow-up conversations have revealed the November 2 foreclosure proceedings for Gardens of Mabank have been cancelled. However, there is no guarantee that foreclosure of Gardens of Mabank will not proceed in the near future, after the TCAP Loan for Residences at Weatherford has closed.
- Finally, the owner and its contractor have provided a spreadsheet that shows an ambitious schedule for expending 75% of the total TCAP Loan amount ($3,686,083 x 75% = $2,764,562.25). The schedule depends on a start date of November 10, 2010 and, by the January 14, 2011 deadline to submit the 75% draw, the owner expects to have expended $5,358,817.70. Much of the

expenditure will be on purchasing and storing materials rather than actual construction on this development which was originally allocated credits and bonds over four years ago. Based on the development's and development team's past experience, staff is not confident that they will be able meet the federal deadlines.

# <u>**Attachment A**</u>

Timeline of Events Associated with Residences at Weatherford

| | |
|---|---|
| October 12, 2006 | TDHCA Board approval of tax credit allocation & HOME loan |
| July 17, 2009 | TCAP application submitted |
| January 7, 2010 | Notice of impending foreclosure by bond holder |
| February 8, 2010 | TDHCA underwriting as a work-out transaction |
| February 9, 2010 | Execution of TCAP Written Agreement by Gardens of Weatherford, LP |
| *June 2, 2010* | *Spectrum notified of Material Noncompliance at Residences at DeCordova* |
| June 16, 2010 | Execution of TCAP assignment of contract by Residences of Weatherford, LP |
| June 23, 2010 | Complete TCAP due diligence packet |
| August 29, 2010 | Complete HOME due diligence packet |
| August 31, 2010 | TCAP loan documents to owner for completion |
| *September 14, 2010* | *Spectrum notified of Material Noncompliance at Residences at DeCordova* |
| September 17, 2010 | TCAP loan documents returned to TDHCA for final review |
| *September 24, 2010* | *Spectrum notified of Material Noncompliance at Residences at DeCordova* |
| *October 1, 2010* | *Conference call to discuss Material Noncompliance issue* |
| October 11, 2010 | Notice of termination of TCAP application |
| *October 11, 2010* | *Receipt of LURA for Residences at DeCordova* |
| October 11, 2010 | Receipt of appeal of termination of TCAP application and extension request |
| October 21, 2010 | Executive Director's response to 10/11 appeal letter |
| October 29, 2010 | Receipt of 2nd appeal of termination of TCAP application and extension request |

# **Attachment B**

October 29, 2010 Appeal of Termination of TCAP Application
for Residences at Weatherford and Extension Request

LLB&L
Locke Lord Bissell & Liddell LLP
Attorneys & Counselors

100 Congress Avenue, Suite 300
Austin, Texas 78701-2748
Telephone: 512-305-4700
Fax: 512-305-4800
www.lockelord.com

October 29, 2010

**VIA ELECTRONIC MAIL**

Ms. Lisa Vecchietti
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Residences at Weatherford in Weatherford, Texas (the "Weatherford Property")
TDHCA No. 09750
Appeal of Termination of TCAP Application and Extension Request

Dear Lisa:

Our firm has been engaged by America First Tax Exempt Investors, LP (the "Bondholder"), which holds the tax-exempt bonds financing the Property, to assist Residences at Weatherford, LP (the "Weatherford Owner"), the owner of the Weatherford Property, with respect to Tax Credit Assistance Program ("TCAP") and HOME funding from TDHCA. On October 11, 2010, our client received a copy of a notice of termination of the TCAP award for the Weatherford Owner. We promptly appealed the termination, pursuant to the letter attached as Exhibit A.

On October 21, 2010, we received the Executive Director's denial of the appeal. We have requested that this matter be heard by the TDHCA Board at its meeting on November 10, and we are providing additional information and a response to the Executive Director's denial for the benefit of the Board. In considering whether the TCAP award should be reinstated for the Weatherford Property, we ask the Board to consider the following:

Material Non-Compliance with regard to Residences at DeCordova

- As noted in our prior letter, when the Weatherford Owner was notified that Residences at DeCordova was in Material Non-Compliance because a LURA had not been filed, the Weatherford Owner commenced cure of the matter in a timely matter. The Executive Director's letter confirms that, with respect to curing the default, "the commencement deadline was October 1, 2010" and that "a conference call . . . took place on October 1, 2010."

- A completed and signed LURA for Residences at DeCordova was submitted to TDHCA on October 11, 2010. As the Weatherford Owner's counsel, we worked through some revisions to the LURA with TDHCA staff. The signed LURA was sent to TDHCA's Legal Division for review on October 19, 2010. At the time, we were advised that it should be signed by TDHCA in about a week. We are still awaiting the signed copy from TDHCA and will file it in the county records as soon as it is received.

- **This action in completing the LURA for Residences at DeCordova cures the Material Non-Compliance with respect to that property** and should not further delay the Weatherford Owner in its attempt to complete the financing for the Weatherford Property.

Request for Reinstatement – Financial Risk

In his letter, the Executive Director states that allowing the Weatherford Property to move forward with the TCAP financing "will present undue increased program or financial risk to the Department or State." Our client believes otherwise and asks the Board to consider the following:

- The Executive Director states that "it is unlikely the TCAP loan will close and construction will start prior to the end of this year." In fact, the TCAP loan transaction is prepared to close immediately upon receipt of Board approval. The TCAP documents were submitted to TDHCA in final form on September 23 and sent to the Legal Division shortly thereafter. All we need is for TDHCA staff to send the final versions of the documents to the title company. The Weatherford Owner has building permits ready, has already performed site work, and is prepared to start construction the day the TCAP Deed of Trust is recorded.

- The Executive Director states that "it is unlikely that Residences at Weatherford will be able to meet the 75% expenditure deadlines." The Weatherford Owner believes it will meet the 75% expenditure deadlines. It has worked with its contractor to determine the schedule for construction and draws. **As you can see from the attached spreadsheet, 78.38% of the TCAP funds can be expended, with aggregate draw requests in the amount of $5,358,817.70 submitted by January 14, 2011.** Additionally, approximately 22% of the funds have already been spent, leaving only 53% to achieve the milestone.

Other Items

- The Executive Director alludes to a potential foreclosure with regard to Gardens of Mabank, LP, which could also create a compliance violation for the Weatherford Property. We have been advised that this matter has been resolved, and no foreclosure will occur. Gardens of Mabank presents no grounds for denying the Weatherford Owner's appeal.

- The Weatherford Owner understands that there are other property owners who want to access additional TCAP funds. However, some of those requests are for existing subsidized properties. **By funding the Weatherford Property, TDHCA will bring 76 new affordable units that cannot otherwise be developed without these funds.** This will create new jobs and economic stimulus that are consistent with Congressional intent for TCAP.

- Representatives of the Weatherford Owner have met with city officials recently, as the Weatherford Owner was completing the TCAP documents and assembling due diligence for TDHCA. The City of Weatherford remains supportive of this development and anxious to see the Weatherford Property come to fruition.

- Financing for the Weatherford Property commenced in 2007. With the withdrawal of the developer and the tax credit syndicator, the Bondholder was left as the last party standing. When the Bondholder foreclosed upon the Weatherford Property, at the request of the tax credit syndicator, the Bondholder could have removed the affordability restrictions. It chose not to. All this time, the Bondholder has been committed to providing affordable housing in Weatherford. It has funded efforts to keep this project going to achieve the affordable housing goal. This is exactly the kind of situation TCAP funds are meant to serve. With TDHCA's assistance, the Weatherford Owner can use these funds in a positive and productive manner.

Thank you for the opportunity to present this information, and please let me know if you need anything further.

Very truly yours,

Cynthia L Bast

Cynthia L. Bast

Enclosure
cc: Lorri Jordan
*Spectrum Housing Corporation*

Tom McLeay, Esq.
Mark Feaster
Chad Daffer
*America First Tax Exempt Investors, LP*

**Exhibit A**

LLB&L

Locke Lord Bissell & Liddell LLP

Attorneys & Counselors

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Austin, Texas 78701-2748
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October 11, 2010

**VIA HAND DELIVERY**

Ms. Lisa Vecchietti
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Residences at Weatherford in Weatherford, Texas (the "Weatherford Property")
TDHCA No. 09750
Appeal of Termination of TCAP Application and Extension Request

Dear Lisa:

Our firm has been engaged by America First Tax Exempt Investors, LP (the "Bondholder"), which holds the tax-exempt bonds financing the Property, to assist Residences at Weatherford, LP (the "Weatherford Owner"), the owner of the Weatherford Property, with respect to Tax Credit Assistance Program ("TCAP") and HOME funding from TDHCA. As you know, the TCAP documents have been prepared, reviewed by TDHCA staff, and forwarded to TDHCA's legal division for consideration. We have been advised that the HOME documents will be prepared concurrently with the legal division's consideration of the TCAP documents. In short, the Weatherford Owner has been moving diligently to closing and believed it could close by the September 30, 2010 TCAP closing deadline.

Notice of Non-Compliance, Termination and Appeal

We received your letter, dated October 11, 2010, terminating the Weatherford Owner's TCAP application and submit this appeal for reinstatement. We believe reinstatement is merited based upon the facts below.

On September 24, 2010, the Weatherford Owner received notice that a previous participation review had found an event of non-compliance for a related property, Residences at DeCordova (the "DeCordova Property"). The primary issue of non-compliance for the DeCordova Property is that its owner (the "DeCordova Owner") had not filed a Declaration of Land Use Restrictive Covenants (a "LURA") under the low-income housing tax credit program by December 31, 2009. The notice requested a response by October 1, 2010.

In response to the notice, our firm set a conference call with TDHCA personnel on October 1, 2010 to determine the best way to cure the DeCordova Property's non-compliance and allow the Weatherford Property's TCAP and HOME financing to move forward. In that conference call, we discussed the fact that the DeCordova Property has struggled through the removal of the original developer, the withdrawal of the original tax credit syndicator, and a foreclosure by the Bondholder, which also owns the tax-exempt bonds finance the DeCordova Property. It has become apparent that the DeCordova Property will not be able to stabilize if 100% of its units must be rented to residents at 60% income levels (the "Existing Restrictions"). Consequently, the DeCordova Owner was concerned about filing a LURA with the Existing Restrictions, knowing the DeCordova Property would not be able to meet them. It did not want to make such a filing without TDHCA's guidance.

The October 1 conference call was continued on October 4, and our client was advised that the DeCordova Property LURA should be filed, even if the development could not meet the Existing Restrictions. On October 7, we provided TDHCA with a draft of the LURA. Today, the final, signed version of the LURA was delivered to Patricia Murphy. (Please see the copy of that delivery package enclosed.) We believe the delivery and recording of the LURA for the DeCordova Property will reduce the non-compliance score for the development so that it is no longer in material non-compliance. This should allow the TCAP and HOME financing for the Weatherford Property to move forward.

Given that the DeCordova Owner commenced cure by October 1 by scheduling a conference call with TDHCA to seek specific guidance as to how to address the DeCordova Property set-aside issue, our client respectfully requests that the TCAP application for the Weatherford Property be reinstated and that such reinstatement not be delayed until the TDHCA Board meeting on November 10. Such consideration is appropriate because:

- Cure was commenced by the deadline imposed by TDHCA.

- Once TDHCA's guidance was received, the parties worked promptly to provide the cure requested.

- When the Bondholder foreclosed upon the DeCordova Property, it could have terminated all the affordability restrictions. It chose not to do so and has been working with the DeCordova Owner to cause the DeCordova Property to be rented to qualified tenants so that the development will achieve stabilization. Once it determined that the Existing Restrictions would not permit the DeCordova Property to be financially viable, the DeCordova Owner did not want to run afoul of TDHCA rules by filing a LURA imposing the Existing Restrictions. In hindsight, the DeCordova Owner might have addressed the set-aside problem with TDHCA differently. But the parties were trying to operate in good faith and preserve as much affordability for the DeCordova Property as possible.

- In short, by reaching out to TDHCA to seek guidance on how to address the DeCordova Property problem, the Weatherford Owner took reasonable steps to resolve the issue causing the termination.

- Because the DeCordova Property is financed with tax-exempt bonds, the low-income housing tax credits were not awarded in a competitive allocation round. If there is any loss of tax credits associated with the DeCordova Property, it will not impact TDHCA or its annual tax credit allocation. It will not impact any other tax credit applicants. The DeCordova Owner and the Bondholder hope TDHCA will recognize that some affordability for the DeCordova Property is better than no affordability at all, which would have been the result if the Bondholder had chosen to terminate the affordability restrictions, and which will be the result if the DeCordova property experiences another foreclosure

- The Weatherford Property is similarly financed with tax-exempt bonds, so there are no concerns for loss of tax credits or impact on any other tax credit applicants.

- Like the DeCordova Property, the Weatherford Property is a "rescue" situation where the original applicant failed to perform its commitments to TDHCA. The Weatherford Property has struggled similarly through the removal of the original developer, the withdrawal of the original tax credit syndicator, and a foreclosure. When the Bondholder foreclosed on the Weatherford Property, it could have terminated the affordability restrictions for this property, as well. It chose not to do so and has been working with TDHCA since last year to try to identify alternative sources of funding (given the loss of the tax credit investor) that would get the construction of the Property back on track. The Bondholder has expended significant funds to assist the Owner with applying for TCAP and HOME funds and preserving the affordability of this Property. It would be regrettable for the citizens of Weatherford to lose this development now, when the Weatherford Property is so close to being funded.

- If the TCAP and HOME funds are not awarded and closed, the Residences at Weatherford project will not proceed, and there will be no new affordable units for the Weatherford community.

- As you are aware, the TCAP rules require expenditure of 75% of the TCAP funds for approved costs by January 14, 2011 so that TDHCA can meet a federal deadline, one month later. If the Weatherford Owner is not allowed to complete its TCAP closing until after the November 10 Board meeting, it will be more challenging (although not impossible) for the Weatherford Owner to meet the January deadline. On the other hand, if the TCAP application is reinstated now, we believe the funding could be closed as early as this week, depending on the workload of TDHCA's legal division. It would benefit the plans for the Weatherford Property, TDHCA, and the State of Texas for the construction to proceed sooner rather than later, to ensure the federal deadline is met.

- Allowing the TCAP funding for the Weatherford Property does not expose TDHCA or the State of Texas to additional risk. The reason for the previous participation review process and the prohibition on funding when material non-compliance is present is to prevent TDHCA from awarding funds to parties who are likely to default in the performance of their obligations. Such is not the case here. As noted above, the Bondholder showed its commitment to affordability for the DeCordova Property and the Weatherford Property when it chose to retain the affordability restrictions after foreclosure. The Bondholder, the DeCordova Owner, and the Weatherford Owner have essentially inherited the problems of the original applicant and are trying to make things work. According to TDHCA underwriting, the Weatherford Property is expected to be financially viable with the infusion of TCAP and HOME funds, so the problems experienced by the DeCordova Property are not expected to be repeated.

<u>Extension Request</u>

In addition to reinstating the TCAP application, we request that TDHCA extend the closing deadline for the TCAP funds until October 31, 2010 (if the reinstatement can be accomplished without Board approval) or November 19, 2010 (if Board approval of the reinstatement is required and received). Until this previous participation issue arose, the Weatherford Owner was on track to complete the closing by the September 30, 2010 deadline. However, we understand TDHCA ceased processing the file when the previous participation issue arose. Given that the TCAP file is so far along and has reached the legal division, we believe closing can be completed within a week or so, once the TCAP application is reinstated. Therefore, assuming the reinstatement request is granted, we believe an extension request for the closing deadline is also appropriate.

Thank you for the opportunity to present this information, and please let me know if you need anything further.

Very truly yours,

Cynthia L Bast

Cynthia L. Bast

Enclosure
cc: Lorri Jordan
*Spectrum Housing Corporation*

Tom McLeay, Esq.
Mark Feaster
Chad Daffer
*America First Tax Exempt Investors, LP*

*(all w/ encl)*

**Exhibit B**

| Date | Request | Status | Services | Total | Percentage Compl |
|---|---|---|---|---|---|
| 11/10/2010 | | site work | | $1,485,930.00 | 21.73% |
| | | balanced site moving 70,000 yds of dirt | | | |
| | | installed all onsite &offsite sewer and water lines | | | |
| | | installed fire hydrants | | | |
| | | built two detention ponds | | | |
| | | completed 80% of storm drain | | | |
| | | installed services for each dwelling | | | |
| | | graded roads and pads to proper elevations | | | |
| 11/15/2010 | Permit Fees | Building permits | $330,366.00 | | |
| | CJB 1st draw | mobilization and previous payments | $178,000.00 | | |
| | PTI 1st draw | mobilization, insurance, bond and general conditions | $405,020.70 | | |
| 11/30/2010 | | | $913,386.70 | $2,399,316.70 | 35.09% |
| 12/15/2010 | CJB 2nd draw | | $406,000.00 | | |
| | | Installation of box culvert | | | |
| | | Regrade roads and pads | | | |
| | | Retest and complete utilities | | | |
| | | Grade, form, and install steel on roads | | | |
| | PTI 2nd Draw | | $1,186,959.00 | | |
| | | Purchase concrete, post tension cable and rebar for slabs | | | |
| | | Purchase brick | | | |
| | | Misc flashing and framing metals | | | |
| | | Purchase roof trusses | | | |
| | | Purchase framing lumber | | | |
| | | Purchase roofing material | | | |
| | | Purchase windows | | | |
| | | Purchase plumbing fixtures and materials | | | |
| | | Insurance, profit and overhead | | | |
| | | Total Draw - 11/15 to 12/15 | $1,592,959.00 | $3,992,275.70 | 58.39% |
| 1/14/2011 | CJB 3rd Draw | Final grade and complete roads | $209,000.00 | | |
| | PTI 3rd Draw | | $1,157,542.00 | | |
| | | Labor-set, pour , and finish 13 slabs | | | |
| | | Purchase concrete and steel for driveways | | | |
| | | Purchase interior trim and doors | | | |
| | | Purchase garage doors | | | |
| | | Purchase carpet and vinyl | | | |
| | | Purchase Drywall | | | |
| | | Purchase Painting material | | | |
| | | Purchase Appliances | | | |
| | | Purchase cabinets | | | |
| | | Purchase HVAC units | | | |
| | | Labor for plumbing rough in | | | |
| | | Labor for underground electric rough in | | | |
| | | Purchase electrical fixtures and supplies | | | |
| | | Insurance, profit and overhead | | | |
| | | Total draw - 12/15 to 1/14 | $1,366,542.00 | $5,358,817.70 | 78.38% |
| 2/15/2011 | | Sitework complete | | | |
| | PTI 4th Draw | | $315,000.00 | | |
| | | Concrete Labor | | | |
| | | Framing Labor | | | |
| | | Plumbing Labor | | | |
| | | Roofing Labor | | | |
| | | Electrical labor | | | |
| | | HVAC Labor | | | |
| | | Total Drawn for February | $315,000.00 | $5,673,817.70 | 83% |
| 3/15/2011 | PTI 5th Draw | | $284,000.00 | | |
| | | Concrete Labor | | | |
| | | Framing Labor | | | |
| | | Plumbing Labor | | | |
| | | Roofing Labor | | | |
| | | Electrical labor | | | |
| | | HVAC Labor | | | |
| | | Install Insulation | | | |
| | | Drywall Labor | | | |
| | | Trim Labor | | | |
| | | Total Drawn for March | $284,000.00 | $5,957,817.70 | 87.14% |
| | PTI 6th Draw | | | | |
| 4/15/2011 | | Framing Labor | | | |
| | | Plumbing Labor | $265,000.00 | | |
| | | Roofing Labor | | | |
| | | Electrical labor | | | |
| | | HVAC Labor | | | |
| | | Install Insulation | | | |
| | | Drywall Labor | | | |
| | | Trim Labor | | | |
| | | Cabinet Installation | | | |
| | | Painting labor | | | |
| | | Total drawn for April | $265,000.00 | $6,222,817.70 | 91.02% |

| Date | Request | Status | Services | Total | Percentage Complete |
|---|---|---|---|---|---|
| 5/15/2011 | PTI 7th Draw | | $246,000.00 | | |
| | | Plumbing Labor<br>Electrical Labor<br>HVAC Labor<br>Trim Labor<br>Painting Labor<br>Concrete Labor | | | |
| | | Total Drawn for May | $246,000.00 | $6,468,817.70 | 94.62% |
| 6/15/2011 | PTI 8th Draw | | $285,000.00 | | |
| | | Plumbing Labor<br>Electrical Labor<br>HVAC Labor<br>Trim Labor<br>Painting Labor<br>Concrete Labor<br>Install gutters blinds<br>Irrigation and landscaping | | | |
| | | Total Drawn for June | $285,000.00 | $6,753,817.70 | 98.79% |
| 7/15/2011 | PTI 9th Draw | | $82,878.30 | | |
| | | Clean up punch out<br>Finish landscaping | | | |
| | | Total drawn for July | $82,878.30 | $6,836,696.00 | 100.00% |
| Construction Contract and Building Permits | | | | $6,836,696 | 100.00% |

**MULTIFAMILY FINANCE DIVISION**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Approve reinstatement of Exchange award #07174/08904/09904 LULAC Hacienda Apartments.

**WHEREAS,** the Exchange Award of LULAC Hacienda Apartments was rescinded because, due to unresolved issues with regard to its financing, it was unable to close by the established deadline, and

**WHEREAS,** those matters have now been resolved, meaning that if its Exchange Award is reinstated, LULAC Hacienda can promptly close. Be it hereby;

**RESOLVED**, that the reinstatement of Exchange award #07174/08904/09904 LULAC Hacienda Apartments is approved.

## Background

TX LULAC Hacienda Housing, L.P. was awarded Tax Credits in 2007 and an additional allocation in 2008. In 2009 they submitted an application for Exchange funds and received an award of $5,308,029. The transaction was unable to close prior to the final Exchange closing deadline of September 30, 2010. The Department allowed the transaction to close into escrow and extended the fully executed closing deadline to October 5, 2010. The transaction was unable to close on their debt and was unable to execute the construction contract. The Exchange award was rescinded on October 6, 2010.

As of the publication of this presentation, the development owner has resolved the issues with the construction contract and anticipates being able to close on the debt. Staff is working with the development owner and the construction lender and anticipate being able to close the transaction on or before November 17, 2010. The development owner has submitted documentation substantiating the ability to meet the required U.S. Treasury Department 30% expenditure deadline. Since staff rescinded the award, Board action to approve the reinstatement is required.

**MULTIFAMILY FINANCE DIVISION**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation, discussion and possible approval of reinstatement of Exchange award #09957 Woodland Park at Decatur Apartments.

**WHEREAS**, rescission of the Exchange award occurred because the applicant missed the final closing deadline and the applicant has not provided documentation sufficient to close. Be it hereby;

**RESOLVED**, that the reinstatement of Exchange award #09957 Woodland Park at Decatur Apartments is denied.

## Background

Woodland Park at Decatur, LP was awarded Tax Credits in 2009. In 2009 they submitted an application for exchange funds and received an award of $4,439,496. The transaction was unable to close prior to the final Exchange closing deadline of September 30, 2010. The development owner did not provide the required due diligence items or the completed Exchange transaction documents in time to close the transaction. The Exchange award was rescinded on October 1, 2010.

As of the publication of this presentation, the development owner has not provided the required documentation. It has also come to the attention of the Department that the construction lender is no longer participating in the transaction. Even if the applicant is provided more time to close the transaction, staff does not believe they are ready and able to start construction and incur 30% of the eligible costs by the Federal deadline of December 31, 2010.

TX LULAC Hacienda Housing, LP
2625 Greenwood Drive
Corpus Christi, Texas 78405

October 25, 2010

Teresa Shell, Housing Tax Credit Exchange Administrator
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701-2410

RE: *Request for Construction Closing*
LULAC Hacienda Apartments, TDHCA # 09904

Dear Ms. Shell:

At this time we are respectfully requesting to be placed on the Texas Department of Housing and Community Affairs (TDHCA) Board agenda for the November 10 meeting so we can appeal the LULAC Hacienda Apartments, TDHCA #09904, rescinding of the Exchange Subaward.

Our team feels we have cured the only deficiency we had to close the project by September 30, the construction contract coming within budget.

As per our conversation, by Thursday, October 28, we will forward the construction contract we will provide to the construction lender, Stearns Bank, to complete the closing by November 17. Enclosed is the payment Distribution Schedule (PDS). This schedule will show that the closing will take care of the 10% Test and the 30% Test required by the Department which is due by December 15. Enclosed is the updated PDS. Additionally, we've attached the Sources & Uses.

We would like to mention, with staff's help, we were able to close Las Palmas Gardens Apartments, #09901, and West End Baptist Manor, #09903. We feel because the three projects were mirrored and we have the experience of closing those two, the LULAC Hacienda closing should go smoothly.

Our Board will be in attendance at the TDHCA Board meeting to support the project and the senior residents it will serve.

If you need additional information, please feel free to call me at 210.228.0560 (office) or 210.216.5611 (mobile).

Sincerely,

*David A. Marquez*

David Marquez
Development Partner

**Hacienda Apartments**
**Sources and Uses**

Draft

| | | |
|---|---|---|
| **Sources:** | | |
| Perm Loan | $ | 2,045,853 |
| Home Loan | | 385,730 |
| Projected Equity | | 5,308,029 |
| Deferred Developers Fee | | 184,828 |
| Total | $ | 7,924,440 |
| | | |
| Uses: | | |
| Hard Construction Loan | $ | 4,300,000 |
| Total Soft Costs - per PDS | | 3,624,440 |
| Total | $ | 7,924,440 |

# PAYMENT DISTRIBUTION SCHEDULE

TO OWNER: X LULAC Hacienda Housing, L PROJECT: LULAC Hacienda Apartments APPLICATION NO.: 1

FROM CONTRACTOR: PERIOD TO: 11/01/10

DRAFT

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Name of Contractor / Subcontractors / Suppliers | City and State | hone Numb | Kind of Work | Total Contract Amount | Change Order Amount | Revise Contract Amount | Previous Payments To Date | Net Amount Due | Balance To Complete |
| | | | | | | | ( = col 5 + 6) | | | ( = col 7- (8+9)) |
| 1 | | | | Land Acquisition | 1,570,000.00 | 91,000.00 | 1,661,000.00 | | 1,661,000.00 | - |
| 2 | | | | Bldg Acquisition | - | | - | | | - |
| 3 | | | | Architect Design & Supervision | 85,000.00 | | 85,000.00 | 80,000.00 | | 5,000.00 |
| 4 | | | | Eng. Design & Supervision | 85,500.00 | | 85,500.00 | 85,000.00 | | 500.00 |
| 5 | | | | Legal | 20,000.00 | 20,000.00 | 40,000.00 | | 40,000.00 | - |
| 6 | | | | Accounting/Audit | 10,000.00 | 15,000.00 | 25,000.00 | 10,000.00 | | 15,000.00 |
| 7 | | | | Permits & Fees | 13,804.94 | | 13,804.94 | | 13,804.94 | - |
| 8 | | | | Appraisal | 20,000.00 | | 20,000.00 | 20,000.00 | | - |
| 9 | | | | Market Study | 7,500.00 | | 7,500.00 | 7,500.00 | | - |
| 10 | | | | Environmental | 18,295.00 | | 18,295.00 | 18,295.00 | | - |
| 11 | | | | Soils | 5,000.00 | | 5,000.00 | 5,000.00 | | - |
| 12 | | | | Survey | 6,801.09 | | 6,801.09 | 6,801.09 | | - |
| 13 | | | | Marketing | | | - | | | - |
| 14 | | | | FF&E | 60,000.00 | (48,000.00) | 12,000.00 | | | 12,000.00 |
| 15 | | | | Insurance/Builder's Risk | | 57,200.43 | 57,200.43 | | 57,200.43 | - |
| 16 | | | | Relocation | 165,600.00 | | 165,600.00 | | 82,800.00 | 82,800.00 |
| 17 | | | | Finance Consultant | | 100,000.00 | 100,000.00 | | 100,000.00 | - |
| 18 | **CONSTRUCTION CLOSING** | | | Loan origination/loan docs | 40,215.00 | (10,000.00) | 30,215.00 | | 30,215.00 | - |
| 19 | | | | Interest | 140,000.00 | | 140,000.00 | | | 140,000.00 |
| 20 | | | | Title insurance, etc. | | 47,541.27 | 47,541.27 | | 47,541.27 | - |
| 21 | | | | Legal | 80,000.00 | 20,000.00 | 100,000.00 | | 100,000.00 | - |
| 22 | | | | Inspection Fees | 7,500.00 | | 7,500.00 | | 7,500.00 | - |
| 23 | **PERM CLOSING** | | | Loan origination/loan docs | 30,000.00 | | 30,000.00 | | | 30,000.00 |
| 24 | | | | Title insurance, etc. | 35,000.00 | | 35,000.00 | | | 35,000.00 |
| 25 | **OTHER SOFT COSTS** | | | Tax Credit Fee | | | - | | | - |
| 26 | | | | Organizational Costs | | | - | | | - |
| 27 | | | | Operating Reserves | 192,042.00 | | 192,042.00 | | | 192,042.00 |
| 28 | | | | Developer Fee | 739,440.00 | | 739,440.00 | | 40,000.00 | 699,440.00 |
| 29 | | | | Misc. Soft Costs | | | - | | | - |
| 30 | | | | Soft Cost Contingency | | | - | | | - |
| 31 | | | | | | | - | | | - |
| 32 | | | | | | | - | | | - |
| 33 | | | | | | | - | | | - |
| | | | | **TOTALS** | **3,331,698.03** | **292,741.70** | **3,624,439.73** | **232,596.09** | **2,180,061.64** | **1,211,782.00** |

f:\loandata\construction\forms\alchemy\payment distribution schedule-single page.xls

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Name of Contractor / Subcontractors / Suppliers | City and State | hone Numb | Kind of Work | Total Contract Amount | Change Order Amount | Revise Contract Amount | Previous Payments To Date | Net Amount Due | Balance To Complete |
| | | | | | | | ( = col 5 + 6) | | | ( = col 7- (8+9)) |
| | | | | BALANCE FORWARD | 3,331,698.03 | 292,741.70 | 3,624,439.73 | 232,596.09 | 2,180,061.64 | 1,211,782.00 |
| 34 | | | | | | | - | | | - |
| 35 | | | | | | | - | | | - |
| 36 | | | | | | | - | | | - |
| 37 | | | | | | | - | | | - |
| 38 | | | | | | | - | | | - |
| 39 | | | | | | | - | | | - |
| 40 | | | | | | | - | | | - |
| 41 | | | | | | | - | | | - |
| 42 | | | | | | | - | | | - |
| 43 | | | | | | | - | | | - |
| 44 | | | | | | | - | | | - |
| 45 | | | | | | | - | | | - |
| 46 | | | | | | | - | | | - |
| 47 | | | | | | | - | | | - |
| 48 | | | | | | | - | | | - |
| 49 | | | | | | | - | | | - |
| 50 | | | | | | | - | | | - |
| 51 | | | | | | | - | | | - |
| 52 | | | | | | | - | | | - |
| 53 | | | | | | | - | | | - |
| 54 | | | | | | | - | | | - |
| 55 | | | | | | | - | | | - |
| 56 | | | | | | | - | | | - |
| 57 | | | | | | | - | | | - |
| 58 | | | | | | | - | | | - |
| 59 | | | | | | | - | | | - |
| 60 | | | | | | | - | | | - |
| 61 | | | | | | | - | | | - |
| | | | | TOTALS | 3,331,698.03 | 292,741.70 | 3,624,439.73 | 232,596.09 | 2,180,061.64 | 1,211,782.00 |

The undersigned owner of the Property and contractor herein certify that the attached list contains the names of all subcontractors and suppliers who have been contracted with to provide labor, materials or services in connection with the construction of improvements on this Property. All material costs shown are correct. The items mentioned include all labor and material required to complete the building according to plans and specifications and there are no other contracts outstanding. Other than the work listed on the attached payment distribution schedule, there are no other amounts due to contactor or subcontractors. The undersigned herein agrees to pay any unpaid bills for construction or site improvements, to remove mechanic's liens should any be filed against said Property, and to pay all bills, costs, expenses and legal fees; and indemnify the Lender or Title Company against any loss should it become necessary for the Lender or Title Company to bring action to remove any liens or to pay the bills. Appropriate lien waivers will be secured by the contractor or owner and provided to Lender and Title Company

CONTRACTOR: ____________________ OWNER: ____________________ ARCHITECT: ____________________

SIGNATURE: ____________________ SIGNATURE: ____________________ SIGNATURE: ____________________

DATE: ____________________ DATE: ____________________ DATE: ____________________

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us



October 6, 2010

TX LULAC Hacienda Housing, L.P.
222 E. Houston Street, Suite 620
San Antonio, Texas 78205

Email: cdmarquez@sbcglobal.net

Re: LULAC Hacienda Apartments, 09904

Dear. David Marquez:

On November 9, 2009, the Texas Department of Housing and Community Affairs' (the "Department") Board accepted the return of the 2007 Housing Tax Credit Allocation in the amount of $566,203 and the 2008 Housing Tax Credit Allocation in the amount of $58,271 and conditionally awarded a Tax Credit Exchange ("Exchange") award in the amount of $5,308,029. The Exchange award was subject to the development owner closing the transaction by March 31, 2010. The closing deadline was extended several times by the Board. The closing deadline was most recently extended by the Board to September 30, 2010. The Department allowed the transaction to be closed into escrow with the understanding that the entire transaction would be closed by October 5th, 2010.

Unfortunately, the transaction was unable to close on the debt and unable to execute a construction contract by the extended deadline. Therefore, the Department hereby rescinds the conditional award of Tax Credit Exchange funds.

If you have any questions you may contact me at (512) 936-7834 or at my email address of teresa.shell@tdhca.state.tx.us.

Sincerely,

Teresa A. Shell

Teresa A. Shell
HTC Exchange Program Administrator

MFF/tas

# Texas Department of Housing and Community Affairs

www.tdhca.state.tx.us



**NOTICE OF ACCEPTANCE TO RETURN CREDITS AND REQUEST EXCHANGE FUNDS IN CONNECTION WITH THE SECTION 1602 TAX CREDIT EXCHANGE PROGRAM**

September 1, 2009

TX LULAC Hacienda Housing, L.P.
222 E. Houston St., Ste. 620
San Antonio, TX 78205

Email: cdmarquez@sbcglobal.net

Dear David Marquez:

Pursuant to Internal Revenue Code §42 (the "Code"), the Development Owner was awarded low income housing tax credits, being referred to herein as the "Credits" by the Texas Department of Housing and Community Affairs ("the Department").

The Development Owner, acting by and through its duly authorized officer or representative, provided notice to the Department on August 7, 2009 of its intent to return the Credits to the Department to enable the Department to exchange the Credits with the U. S. Treasury for cash as provided for in §1602 of the American Recovery and Reinvestment Act ("ARRA"). Pursuant to the §1602 Tax Credit Exchange Program Policy (the "Policy") as adopted by the Department's Governing Board on July 30, 2009 and in connection with ARRA, the sub award of Exchange funds requested by the Development Owner were in an amount not to exceed the lesser of eligible basis as defined by §42 of the Code, unless otherwise allowed by written U. S. Treasury Department guidance; the amount necessary to support the total development cost less any committed permanent financing or permanent financing with a 30 year amortization and 8% interest rate based on a 1.25 debt coverage ratio on Net Income (as further defined in 10 TAC §1.32, the Department's Real Estate Analysis Rules) and other sources of funds including previously identified sources of funds; or the amount of total credit allocated to the development times 10 times the requested Credit Price Ceiling.

The Development Owner understands and acknowledges that once it has accepted this Notice regarding the return of the Credits to the Department, any cash or other funds received by the Department from the U. S. Treasury will be awarded in accordance with the Department's Policy. Further, the Development Owner certifies that the information contained in this Notice is correct and will be relied upon by the Department to make Exchange awards. The Development Owner represents and warrants to the Department that it has reviewed the above-referenced Policy, has had the opportunity to consult with counsel of its choosing, and understands the requirements and limitations of the Policy.

Within 10 days of the date of this Notice or no later than September 10, 2009, the Development Owner must submit to the Department the executed original Notice of Acceptance to Return Credits and Request Exchange Funds and the additional application information as prescribed in the Exchange Policy Supplement.

**LULAC Hacienda Apartments**
**TX LULAC Hacienda Housing, L.P.**

| | |
|---|---|
| **TDHCA 2007 ID#** 07174 | **2007 Tax Credit Allocation Amount Returned** $566,203 |
| **TDHCA 2008 ID#** 08904 | **2008 Tax Credit Allocation Amount Returned** $58,271 |
| **Exchange Amount Request** | **$5,308,029** |
| **Credit Price Ceiling** | **.85** |

Acknowledged, agreed, and accepted:

Department:
Texas Department of Housing and Community Affairs, public and official department of the State of Texas

By: RGM

Name: Robbye G. Meyer

Title: Director of Multifamily Finance

Department Address: 221 E. 11th Street, Austin, Texas 78701

MICAEL ARROYO
Notary Public, State of Texas
My Commission Expires 10-24-2011
NOTARY WITHOUT BOND

SUBSCRIBED AND SWORN TO before me this 25th day of January, ~~2009~~ 2010.

Micael Arroyo

Notary Public in and for the State of Texas

Development Name: LULAC Hacienda Apartments

Development Owner Name: TX LULAC Hacienda Housing, LP

By: Henry Gorham

Printed Name: HENRY GORHAM

Title: BOARD PRESIDENT

SUBSCRIBED AND SWORN TO before me this 4 day of Sept., 2009.

Susan Hairgrove

Notary Public in and for the State of Texas

SUSAN HAIRGROVE
Notary Public, State of Texas
My Commission Expires
August 24, 2013

## Teresa Shell

**From:** Mark Feaster [mfeaster@hershdevelopment.com]
**Sent:** Monday, October 25, 2010 8:27 AM
**To:** Teresa Shell
**Cc:** Hersh George; Terry Hummer; LeAnn Dolsky
**Subject:** Woodland Park at Decatur

Re: Woodland Park at Decatur, LP 09957

Teresa,
Please let this serve as formal notice that we wish to appeal at the November 10th board meeting, the rescinsion of the tax credit exchange funds per you letter of October 1, 2010.
If you require additional information, please let us know.
Thanks, Mark

Mark Feaster
(785) 220-8218 cell
(785) 286-0645 fax

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

*www.tdhca.state.tx.us*




October 1, 2010

Woodland Park at Decatur, LP
3030 N. Topeka Blvd., Ste. 100
Topeka, KS 66617
mfeaster@hershdevelopment.com

Re: Woodland Park at Decatur, 09957

Dear. Mark E. Feaster:

On November 9, 2009, the Texas Department of Housing and Community Affairs' (the "Department") Board accepted the return of the 2009 Housing Tax Credit Allocation in the amount of $576,558 and conditionally awarded a Tax Credit Exchange ("Exchange") award in the amount of $4,439,496. The Exchange award was subject to the development owner closing the transaction by March 31, 2010. The closing deadline was extended several times by the Board. The closing deadline was most recently extended by the Board to September 30, 2010.

Unfortunately, the Department has not received the required documentation to close this transaction. Therefore, the Department hereby rescinds the conditional award of Tax Credit Exchange funds.

If you have any questions you may contact me at (512) 936-7834 or at my email address of teresa.shell@tdhca.state.tx.us.

Sincerely,

Teresa A. Shell
HTC Exchange Program Administrator

MFF/tas

09957

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR



**NOTICE OF ACCEPTANCE TO RETURN CREDITS AND REQUEST EXCHANGE FUNDS IN CONNECTION WITH THE SECTION 1602 TAX CREDIT EXCHANGE PROGRAM**

November 10, 2009

Woodland Park at Decatur, LP
3030 N. Topeka Blvd., Ste. 100
Topeka, KS 66617

mfeaster@hershdevelopment.com

Dear Mark E. Feaster:

Pursuant to Internal Revenue Code §42 (the "Code"), the Development Owner was awarded low income housing tax credits, being referred to herein as the "Credits" by the Texas Department of Housing and Community Affairs ("the Department").

The Development Owner, acting by and through its duly authorized officer or representative, provided notice to the Department on August 7, 2009 of its intent to return the Credits to the Department to enable the Department to exchange the Credits with the U. S. Treasury for cash as provided for in §1602 of the American Recovery and Reinvestment Act ("ARRA"). Pursuant to the §1602 Tax Credit Exchange Program Policy (the "Policy") as adopted by the Department's Governing Board on July 30, 2009 and in connection with ARRA, the sub award of Exchange funds requested by the Development Owner were in an amount not to exceed the lesser of eligible basis as defined by §42 of the Code, unless otherwise allowed by written U. S. Treasury Department guidance; the amount necessary to support the total development cost less any committed permanent financing or permanent financing with a 30 year amortization and 8% interest rate based on a 1.25 debt coverage ratio on Net Income (as further defined in 10 TAC §1.32, the Department's Real Estate Analysis Rules) and other sources of funds including previously identified sources of funds; or the amount of total credit allocated to the development times 10 times the requested Credit Price Ceiling.

The Development Owner understands and acknowledges that once it has accepted this Notice regarding the return of the Credits to the Department, any cash or other funds received by the Department from the U. S. Treasury will be awarded in accordance with the Department's Policy. Further, the Development Owner certifies that the information contained in this Notice is correct and will be relied upon by the Department to make Exchange awards. The Development Owner represents and warrants to the Department that it has reviewed the above-referenced Policy, has had the opportunity to consult with counsel of its choosing, and understands the requirements and limitations of the Policy.

Within 10 days of the date of this Notice or no later than November 20, 2009, the Development Owner must submit to the Department the executed original Notice of Acceptance to Return Credits and Request Exchange Funds and the additional application information as prescribed in the Exchange Policy Supplement.

**The Development Owner agrees and acknowledges that by completing and returning this application they are withdrawing from the Tax Credit Assistance Program (TCAP) and will no longer be eligible for a Tax Credit Assistance Program Award.**

Woodland Park at Decatur
Woodland Park at Decatur, LP

ꞮHCA 09 ID:
09237

09Tax Credit Allocation Amount Returned:
$576,558

EXCHANGE 09 ID# :
09957

Exchange Amount Request: $4,439,496

Credit Price Ceiling: $0.77

Acknowledged, agreed, and accepted:

Department:
Texas Department of Housing and Community Affairs, public and official department of the State of Texas

By: ______________________

Name: Robbye G. Meyer

Title: Director of Multifamily Finance

Department Address: 221 E. 11th Street, Austin, Texas 78701

MISAEL ARROYO
Notary Public, State of Texas
My Commission Expires 10-24-2011
NOTARY WITHOUT BOND

SUBSCRIBED AND SWORN TO before me this 25th day of January, ~~2009.~~ 2010

______________________
Notary Public in and for the State of Texas

Development Owner:
Development Owner Name: Woodland Park at Decatur, LP

By: ______________________
Printed Name: George M. Hersh, II
Title: Managing Member of Hersh Associates I, LLC, General Partner

SUBSCRIBED AND SWORN TO before me this 17th day of November, 2009.

______________________
Notary Public in and for the State of Kansas.

MARK E. FEASTER
Notary Public - State of Kansas
My Appt. Expires 4/29/2013

NONE AT THE TIME OF THIS POSTING

**BOARD ACTION REQUEST**

**November 10, 2010**

## Requested Action

Deny the appeal of the 30 year amortization period in the conclusions of the Underwriting Report and the request for a 40 year amortization period for Renaissance Village, Neighborhood Stabilization Program number 77090000252.

**WHEREAS**, The Texas Department of Housing and Community affairs established the Texas Neighborhood Stabilization Program to provide multifamily financing with a maximum 30 year term and amortization in the Substantial Amendment to the State of Texas CDBG Action Plan, the Notice of Funding Availability, Sub-Award Agreement and Developer's Contract, and

**WHEREAS**, the Applicant for Renaissance Village submitted an application for Neighborhood Stabilization Program Funds that requested a 40 year term and included a pro forma which failed to meet the Department's Real Estate Analysis Rules for financial feasibility, and

**WHEREAS**, the Applicant for Renaissance Village filed an appeal of the Underwriting Report which they claim that the Underwriting Report erred in recommending an award based on a 30 year amortization and term;

It is hereby:

**RESOLVED**, that the appeal of the Underwriting Report for Renaissance Village is denied.

## Background

The Neighborhood Stabilization Program (NSP) is a HUD-funded program authorized by HR3221, the "Housing and Economic Recovery Act of 2008" (HERA), as a supplemental allocation to the Community Development Block Grant (CDBG) Program through an amendment to the existing State of Texas 2008 CDBG Action Plan (Action Plan). The purpose of the program is to redevelop into affordable housing or acquire and hold, abandoned and foreclosed properties in areas that are documented to have the greatest need for arresting declining property values as a result of excessive foreclosures.

The Substantial Amendment for the Neighborhood Stabilization Program, as accepted by HUD on January 29, 2009, explicitly states that for acquisition activities, which may be combined with other activities such as rehabilitation, "assistance to rental property restricted to households earning 50% or less of AMI may have an interest rate at 0% fully amortized over 30 years."

The Texas Neighborhood Stabilization Program Re-Allocation Notice of Funding Availability (NOFA), as approved by the TDHCA Governing Board on March 11, 2010, states that "Units leased to households at or below 50% of the Area Median Income will be eligible for financing through a 30-year amortizing loan at zero percent (0%) interest."

On September 3, 2010, Housing and Community Services, Inc. (HCS) entered into a Developer's Contract for the acquisition and rehabilitation of the 67-unit Renaissance Village property in San

Antonio. The Developer's Contract provides $2,953,125 of Texas NSP funds to the project, "the loan term shall be up to 30 years, fully amortizing with an up to 30 year amortizing loan." At that time the Applicant requested that a provision be added to the Developer's Contract to allow HCS to terminate the Developer's Contract if an agreement to the terms of the NSP loan could not be reached.

HCS has indicated that it has always been their intent to receive a 40 year amortization because they did not believe a 30 year amortization would be financially feasible. In fact, the pro forma provided in the original application and every revision since then, including the revisions provided as part of this appeal, indicate that neither a 30 year amortization nor 40 year amortization would be feasible. HCS's original application and every version since then includes an expense to income ratio above 72% which is well over the 68% established by the Department's Real Estate Analysis Rules for small developments. Every version of a long term pro forma provided by HCS has projected a failure to meet the 40 year amortizing zero percent debt service amount well prior to the 20th year.

Despite this projection of infeasibility by the HCS, staff continued to evaluate the transaction and using historical information from both HCS and the Department's database came to a different conclusion. Staff has worked with HCS diligently to obtain documentation for all of the expense estimates, but in the end was only able to substantiate expenses of $3,980 per unit per year or 9% lower than the Applicant's original expenses. This expense estimate includes a significant but not absolute property tax exemption (if a full property tax exemption is achieved, expenses would be 7% lower). On the income side, HCS projects an ongoing ten percent vacancy though all units will be restricted at the below market 50% of area median income rent level, and initially projected no secondary income whatsoever (though they have recently recognized a minimum amount of secondary income amount). The Underwriting Report reflects an expectation of standard occupancy rate and at least minimum levels of secondary income. Thus the Underwriting Reports concludes with support for a marginal financial feasibility projection for more than 20 years and an acceptable expense to income ratio for a small development (though the subject is slightly larger than the normal small subject standard). Conversely, if HCS's robust expenses and more modest income assumptions were the basis for the underwriting conclusions, the underwriting recommendation would be to deny the development funds due to financial infeasibility.

While the basis of the appeal is the conclusion of the Underwriting Report, the appeal is actually an attempt by the HCS to garner Board approval for a modification of the program design. The request to grant a 40 year amortization period is clearly in conflict with that design and the need for such modification is not supported by information provided in the application or the appeal.

# Appeal Documentation

**From:** Gil Piette
**To:** Audrey Martin;
**Subject:** FW: additional material for Housing and Community Services Appeal of NSP Loan Amortization for Renaissance Village Apartments, TDHCA Contract # 77090000252
**Date:** Tuesday, October 26, 2010 3:42:15 PM
**Attachments:** RVA - Applicant''s Revised Budget.pdf

---

2nd try


Gilbert M. Piette

Executive Director & CEO

Housing and Community Services Inc.

Wedge Management, Inc.

8610 N. New Braunfels, Suite 500

San Antonio, TX 78217-6397

210-821-4300

210-821-4303 (fax)


---

**From:** Gil Piette
**Sent:** Tuesday, October 26, 2010 3:36 PM
**To:** 'Michael Gerber'; 'Tom J. Gouris (tgouris@genesis.tdhca.state.tx.us)'; 'marni.holloway@tdhca.state.tx.us'; 'megan.sylvester@tdhca.state.tx.us'; 'audrey.martin@tdhaca.state.tx.us'
**Cc:** 'Bast, Cynthia L.'
**Subject:** additional material for Housing and Community Services Appeal of NSP Loan Amortization for Renaissance Village Apartments, TDHCA Contract # 77090000252

Dear Mr. Gerber and Mr. Gouris,

I am attaching a modified budget which we are asking you to include as part of the board packet along with the appeal documentation we originally submitted to the Executive Director. We appreciate the time Mr. Gouris and his staff took to discuss matters with us this morning and we continue to try to come up with the best solution to provide good quality affordable housing at Renaissance Village Apartments. We have reviewed the underwriting and we have adjusted our budget to reflect changes in items over which we have some control.

Sincerely,

Gil Piette


Gilbert M. Piette

Executive Director & CEO

Housing and Community Services Inc.

Wedge Management, Inc.

8610 N. New Braunfels, Suite 500

San Antonio, TX 78217-6397

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**Renaissance Village Apartments**
**Analysis of TDHCA Underwriting Report Operations and Applicant's**
**Oct-10**

| | TDHCA | Revised HCS | Remaining Difference | Discussion |
|---|---|---|---|---|
| Rents | $ 423,744 | $ 423,744 | $ - | |
| Other Income | $ 4,020 | $ 4,020 | $ - | Realized that there is the income potential we had not anticipated |
| Vacancy | $ (32,082) | $ (42,776) | $ 10,694 | (1) |
| Net | $ 395,682 | $ 384,988 | $ 10,694 | |
| | | | $ - | |
| G & A | $ 23,376 | $ 25,862 | $ (2,486) | (1) |
| Management | $ 19,784 | $ 19,784 | $ - | Have control over this item to hold down cost |
| Payroll | $ 66,083 | $ 66,170 | $ (87) | (1) |
| Repairs & Maint | $ 38,334 | $ 38,000 | $ 334 | (1) |
| Utilites | $ 22,028 | $ 26,000 | $ (3,972) | (1) |
| Water, Sewer, & Trash | $ 22,968 | $ 25,000 | $ (2,032) | (1) |
| Property Insurance | $ 32,491 | $ 32,491 | $ - | |
| Property Tax - 2.713497 | $ 17,499 | $ 23,120 | $ (5,621) | (1) |
| Reserve for Replacement | $ 20,100 | $ 20,100 | $ - | |
| Services for the Elderly | $ - | $ - | $ - | |
| TDHCA Compliance Fees | $ - | $ - | $ - | Agree since TDHCA acknowledges that it will not charge such fees. |
| Other - Security | $ 4,000 | $ 4,000 | $ - | |
| Total | $ 266,663 | $ 280,527 | $ (13,864) | |
| Net Income Before Debt Service | $ 129,019 | $ 104,461 | $ 24,558 | |
| Debt Service | $ 93,750 | $ 70,313 | $ 23,437 | |
| Net Income | $ 35,269 | $ 34,148 | $ 1,121 | |
| Debt Service Coverage | 1.38 | 1.49 | | |

(1) **We still seem more conservative on the items we do not have control over than TDHCA**
**Most of this from our perspective is how much vacancy the property has in the past**
**and thus lack of information to support expected operations.**
**Applicant used Independent Appraisal information or costs from TDHCA REA district nine (9) model expenses.**

**Project has in excess of a 115% DCR over the first 15 years**

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# PROFORMA ANALYSIS & DEVELOPMENT COSTS

### *Renaissance Village Apartments, San Antonio, NSP #77090000152*

| **INCOME** | Total Net Rentable Sq Ft: | | TDHCA | APPLICANT | | |
|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | $423,744 | $423,744 | | |
| Secondary Income | Per Unit Per Month: | $5.00 | 4,020 | | $0.00 | Per Unit Per Month |
| Other Support Income: | | | | | $0.00 | Per Unit Per Month |
| Other Support Income: | | | | | $0.00 | Per Unit Per Month |
| POTENTIAL GROSS INCOME | | | $427,764 | $423,744 | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | (32,082) | (42,372) | -10.00% | of Potential Gross Income |
| Employee or Other Non-Rental Units or Concessions | | | 0 | | | |
| EFFECTIVE GROSS INCOME | | | $395,682 | $381,372 | | |

| **EXPENSES** | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.91% | $349 | 0.49 | $23,376 | $25,862 | $0.54 | $386 | 6.78% |
| Management | | 5.00% | $295 | 0.41 | 19,784 | 27,000 | 0.57 | 403 | 7.08% |
| Payroll & Payroll Tax | | 16.70% | $986 | 1.38 | 66,083 | 66,170 | 1.39 | 988 | 17.35% |
| Repairs & Maintenance | | 9.69% | $572 | 0.80 | 38,334 | 38,000 | 0.80 | 567 | 9.96% |
| Utilities | | 5.57% | $329 | 0.46 | 22,028 | 26,000 | 0.54 | 388 | 6.82% |
| Water, Sewer, & Trash | | 5.80% | $343 | 0.48 | 22,968 | 25,000 | 0.52 | 373 | 6.56% |
| Property Insurance | | 8.21% | $485 | 0.68 | 32,491 | 32,491 | 0.68 | 485 | 8.52% |
| Property Tax | 2.713497 | 4.42% | $261 | 0.37 | 17,499 | 23,120 | 0.48 | 345 | 6.06% |
| Reserve for Replacements | | 5.08% | $300 | 0.42 | 20,100 | 20,100 | 0.42 | 300 | 5.27% |
| TDHCA Compliance Fees | | 0.00% | $0 | 0.00 | 0 | 2,680 | 0.06 | 40 | 0.70% |
| Other: Security | | 1.01% | $60 | 0.08 | 4,000 | 4,000 | 0.08 | 60 | 1.05% |
| TOTAL EXPENSES | | 67.39% | $3,980 | $5.59 | $266,663 | $290,423 | $6.09 | $4,335 | 76.15% |
| NET OPERATING INC | | 32.61% | $1,926 | $2.70 | $129,018 | $90,949 | $1.91 | $1,357 | 23.85% |

| **DEBT SERVICE** | TDHCA | APPLICANT |
|---|---|---|
| TDHCA NSP Project Funds | $93,750 | $70,313 |
| TDHCA NSP Administrative Funds | $0 | |
| Additional Financing | $0 | |
| Additional Financing | 0 | |
| Additional Financing | 0 | |
| TOTAL DEBT SERVICE | 93,750 | 70,313 |
| NET CASH FLOW | $35,268 | $20,636 |
| AGGREGATE DEBT COVERAGE RATIO | 1.38 | 1.29 |
| RECOMMENDED DEBT COVERAGE RATIO | 1.38 | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 33.86% | $14,925 | $20.96 | $1,000,000 | $1,000,000 | $20.96 | $14,925 | 35.56% |
| Off-Sites | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 13.12% | $5,783 | $8.12 | 387,475 | 387,475 | 8.12 | 5,783 | 13.78% |
| Direct Construction | | 30.82% | $13,584 | $19.07 | 910,158 | 910,158 | 19.07 | 13,584 | 32.36% |
| Contingency | 10.00% | 2.61% | $1,149 | $1.61 | 77,008 | 129,763 | 2.72 | 1,937 | 4.61% |
| Contractor's Fees | 13.22% | 6.15% | $2,711 | $3.81 | 181,669 | 181,669 | 3.81 | 2,711 | 6.46% |
| Indirect Construction | | 6.89% | $3,036 | $4.26 | 203,435 | 203,435 | 4.26 | 3,036 | 7.23% |
| Ineligible Costs | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Administrative Costs | 0.00% | 4.76% | $2,099 | $2.95 | 140,625 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserves | | 1.79% | $787 | $1.11 | 52,755 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $44,076.49 | $61.89 | $2,953,125 | $2,812,500 | $58.94 | $41,978 | 100.00% |
| *Construction Cost Recap* | | *52.70%* | *$23,229* | *$32.61* | *$1,556,310* | *$1,609,065* | *$33.72* | *$24,016* | *57.21%* |

| **SOURCES OF FUNDS** | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| TDHCA NSP Project Funds | 95.24% | $41,978 | $58.94 | $2,812,500 | $2,812,500 | $2,812,500 | Developer Fee Available |
| TDHCA NSP Administrative Funds | 4.76% | $2,099 | $2.95 | 140,625 | | 140,625 | $0 |
| HTC Syndication Proceeds | 0.00% | $0 | $0.00 | 0 | | 0 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | | 0 | #DIV/0! |
| Additional (Excess) Funds Req'd | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $2,953,125 | $2,812,500 | $2,953,125 | $502,618 |

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## Tab 2

## Part A. Rent Schedule

*Unit types should be entered from smallest to largest based on "# of Bedrooms"and "Unit Size", then within the same "# of Bedrooms" and "unit Size" from lowest to highest "Rental Income/Unit".*

**TCAP Applications must reflect the same rent and income levels as were last approved by the Department's Governing Board for the Award of LIHTC. Applicants may, however, update the rents and utility allowances based upon the most current available data.**

*Type of Unit designation should be one or more of the following based on the unit's rent restrictions:*

***Tax Credit:*** *(TC30%), (TC40%), (TC50%), (TC60%), Employee Occupied (EO), Market Rate (MR), as allowed by Sec. 42.*

***HOME:*** *High (HH), Low (LH), Employee Occupied non LI unit (MR/EO), Market Rate (MR)*

***501(c)(3) Mortgage Revenue Bond:*** *(MRB), (MRB30%), (MRB40%), (MRB50%), (MRB60%), Market Rate(MRBMR).*

***Other:*** *describe any "Other" rental assistance or rent restrictions in the space provided; documentation supporting the rentl assistance or restrictions must be provided*

***Housing Trust Fund:*** *(HTF30%), (HTF40%), (HTF50%), (HTF60%), (HTF80%), Market Rate (MR)*

*Units funded under more than one program, the "Program Rent Limit" should be the most restrictive - for example, a LH and TC60% unit would use the "LH" Program rent limit.*

*The rent and utility limits available at the time the Application Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided. The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.*

**Development Name:** Renaissance Village Apartments 67 units **City:** San Antonio

| HTC Unit Designation | HOME Unit Designation | HTF Unit Designation | MRB Unit Designation | Other | # of Units (A) | # of Bed-rooms | # of Baths | Unit Size (Net Rentable Sq. Ft.) (B) | Total Net Rentable Sq. Ft. (A) x (B) | Program Rent Limit | Tenant Paid Utility Allow. | Rent Collected /Unit (E) | Total Monthly Rent (A) x (E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | MRB50% | NSP | 1 | efficiency | 1.00 | 435 | 435 | 506 | 28 | 478 | 478 |
| | | | MRB50% | NSP | 52 | 1 | 1.00 | 688 | 35,776 | 542 | 35 | 507 | 26,364 |
| | | | MRB50% | NSP | 14 | 2 | 1.00 | 822 | 11,508 | 651 | 46 | 605 | 8,470 |
| | | | | | | | | | 0 | | | | - |
| | | | | | | | | | 0 | | | | - |
| | | | | | | | | | 0 | | | | - |
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| | | | | | | | | | 0 | | | | - |
| | | | | | | | | | 0 | | | | - |
| | | | | | | | | | 0 | | | | - |
| | | | TOTAL | | 67 | | | | 47,719 | | | | 35,312 |

| | | | | |
|---|---|---|---|---|
| Non Rental Income | $5.00 | per unit/month for: | Vending | 335 |
| Non Rental Income | 0.00 | per unit/month for: | describe source here | |
| Non Rental Income | 0.00 | per unit/month for: | Other | |
| **+ TOTAL NONRENTAL INCOME** | **$5.00** | per unit/month | | 335 |
| **= POTENTIAL GROSS MONTHLY INCOME** | | | | 35,647 |
| - Provision for Vacancy & Collection Loss | | | % of Potential Gross Income: 10.00% | 3,565 |
| - Rental Concessions | | | | |
| **= EFFECTIVE GROSS MONTHLY INCOME** | | | | 32,082 |
| **x 12 = EFFECTIVE GROSS ANNUAL INCOME** | | | | 384,988 |

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# Volume 1, Tab 2: Populations Served

## Part B. Rent Schedule (Cont.)

| | | |
|---|---|---|
| HOUSING TAX CREDITS | TC30% | 0 |
| | TC40% | 0 |
| | TC50% | 0 |
| | TC60% | 0 |
| | HTC LI Total | 0 |
| | TCEO | 0 |
| | MR | 0 |
| | MR Total | 0 |
| | TC Total | 0 |
| MORTGAGE REVENUE BOND | MRB30% | 0 |
| | MRB40% | 0 |
| | MRB50% | 67 |
| | MRB60% | 0 |
| | MRB LI Total | 67 |
| | MRBMR | 0 |
| | MRBMR Total | 0 |
| | MRB Total | 67 |

| | | |
|---|---|---|
| HOUSING TRUST FUND | HTF30% | 0 |
| | HTF40% | 0 |
| | HTF50% | 0 |
| | HTF60% | 0 |
| | HTF80% | 0 |
| | HTF LI Total | 0 |
| | MR | 0 |
| | MR Total | 0 |
| | HTF Total | 0 |
| HOME | HOME HH | 0 |
| | HOME LH | 0 |
| | HOME LI Total | 0 |
| | MR/EO | 0 |
| | MR | 0 |
| | MR Total | 0 |
| | HOME Total | 0 |
| OTHER | Total OT Units | 67 |

Note: Pursuant to 49.9(h)(7)(C), any local, state or federal financing identified in this section which restricts household incomes at any AMGI lower than restrictions required pursuant to the Rules must be identified in the Rent Schedule and the local, state or federal income restrictions must include corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code. The income and corresponding rent restrictions will be continuously maintained over the compliance and extended use period as specified in the LURA.

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## Tab 2

### Part B. Utility Allowances

*Applicant must attach to this form documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application Packet. This exhibit must clearly indicate which utility costs are included in the estimate.*

*NOTE:*

*If more than one entity (Sec. 8 administrator, public housing authority) is responsible for setting the utility allowance(s) in the area of the development location, then the selected utility allowance must be the one which most closely reflects the actual expenses.*

*If an independent utility cost evaluation is conducted it must include confirming documentation from all the relevant utility providers.*

*If other reductions to the tenant rent is required such as the cost of flood insurance for the tenant's contents, documentation for these reductions to gross rent should also be attached.*

**Development Name:** Renaissance Village Apartments 67 **City:** San Antonio

| Utility(1) | *Energy Source (2)* | Source of Utility Allowance | Effective Date |
|---|---|---|---|
| ☐ Heating | G | San Antonio Housing Authority Utility Allownace (low Rise) | 6/1/2009 |
| ☑ Cooling | E | San Antonio Housing Authority Utility Allownace (low Rise) | 6/1/2009 |
| ☐ Water Heater | G | San Antonio Housing Authority Utility Allownace (low Rise) | 6/1/2009 |
| ☑ Cooking | E | San Antonio Housing Authority Utility Allownace (low Rise) | 6/1/2009 |
| ☐ Water | | | |
| ☐ Sewer | | | |
| ☐ Trash | | | |
| ☑ General Electricity | | San Antonio Housing Authority Utility Allownace (low Rise) | 6/1/2009 |

Other (Describe)

| | |
|---|---|
| | |
| | |
| | |
| | |
| | |

(1) Check the box if the TENANT will have to pay for this utility directly or will have to pay an extra fee for the appliances listed.

(2) Indicate the type of energy source used where applicable as follows: **N**= Natural Gas, **P**= Propane, **E**= Electric, **L**= Oil, **O**= Other

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Tab 2

**Development Name:** Renaissance Village 67 units **City:** San Antonio

| Part C. Annual Operating Expenses | | | |
|---|---|---|---|
| General & Administrative Expenses | | | |
| Accounting | | $ 6,000.00 | |
| Advertising | | $ 6,000.00 | |
| Legal fees | | $ 2,000.00 | |
| Leased equipment | | $ 1,200.00 | |
| Postage & office supplies | | $ 5,000.00 | |
| Telephone | | $ 2,000.00 | |
| Other | | $ 3,662.00 | |
| Total General & Administrative Expenses: | | | $ 25,862.00 |
| Management Fee: | Percent of Effective Gross Income: | 7.01% | $ 27,000.00 |
| Payroll, Payroll Tax & Employee Benefits | | | |
| Management | | $ 32,000.00 | |
| Maintenance | | $ 24,000.00 | |
| Other | payroll Taxes, Workers Comp, & Benefits | $ 10,170.00 | |
| Total Payroll, Payroll Tax & Employee Benefits: | | | $ 66,170.00 |
| Repairs & Maintenance | | | |
| Elevator | | $ - | |
| Exterminating | | $ 5,000.00 | |
| Grounds | | $ 8,000.00 | |
| Make-ready | | $ 12,000.00 | |
| Repairs | | $ 12,000.00 | |
| Pool | | $ 1,000.00 | |
| Other | Describe | $ | |
| Total Repairs & Maintenance: | | | $ 38,000.00 |
| Utilities (Enter development owner expense) | | | |
| Electric | | $ 8,000.00 | |
| Natural gas | | $ 18,000.00 | |
| Trash | | $ 5,000.00 | |
| Water & sewer | | $ 20,000.00 | |
| Other | Describe | $ | |
| Total Utilities: | | | $ 51,000.00 |
| Annual Property Insurance: | Rate per net rentable square foot: | $ 0.68 | $ 32,555.00 |
| Property Taxes: | | | |
| Published Capitalization Rate: | 10.00% Source: | | |
| Annual Property Taxes: | | $ 23,120.00 | |
| Payments in Lieu of Taxes: | | $ | |
| Other Taxes | Describe | $ | |
| Total Property Taxes: | | | $ 23,120.00 |
| Reserve for Replacements: | Annual reserves per unit: | $ 300 | $ 20,100.00 |
| Other Expenses | | | |
| Cable TV | | $ | |
| Supportive service contract fees | | $ - | |
| Compliance fees | | $ - | |
| Security | | $ 4,000.00 | |
| Other | | $ | |
| Total Other Expenses: | | | $ 4,000.00 |
| TOTAL ANNUAL EXPENSES $ 0.75 | Expense per unit: | $ 4295.626866 | $ 287,807.00 |
| NET OPERATING INCOME (before debt service) | | | $ 97,180.60 |
| Annual Debt Service | | | |
| TDHCA NSP - $2,812,500 at 40 years at 0% conventional loan | | $ 70313 | |
| Describe Source | | $ | |
| Describe Source | | $ | |
| TOTAL ANNUAL DEBT SERVICE | Debt Coverage Ratio: | 1.38 | $ 70,313.00 |
| NET CASH FLOW | | | $ 26,867.60 |

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Tab 2

## Part D. 30 Year Rental Housing Operating Proforma

*The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses), and principal and interest debt service. The Department currently considers an annual growth rate of 2% for income and 3% for expenses to be reasonably conservative estimates. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.. While the 30-year proforma projects 30 years of data, the Department's standard for financial feasibility is 15 years.*

**Development Name:** Renaissance Village Apartments 67 units **City:** San Antonio

| INCOME | LEASE-UP | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 25 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS ANNUAL RENTAL INCOME | | $423,744 | $432,219 | $440,863 | $449,681 | $458,674 | $506,413 | $559,121 | $617,315 | $681,566 | $752,504 |
| Secondary Income | | 4,020 | 4,100 | 4,182 | 4,266 | 4,351 | $4,804 | $5,304 | $5,856 | $6,466 | $7,139 |
| POTENTIAL GROSS ANNUAL INCOME | | $427,764 | $436,319 | $445,046 | $453,947 | $463,026 | $511,218 | $564,426 | $623,171 | $688,032 | $759,642 |
| Provision for Vacancy & Collection Loss | | 42,776 | 43,632 | 44,505 | 45,395 | 46,303 | 51,122 | 56,443 | 62,317 | 68,803 | 75,964 |
| Rental Consessions | | | | | | | | | | | |
| EFFECTIVE GROSS ANNUAL INCOME | | $384,988 | $392,687 | $400,541 | $408,552 | $416,723 | $460,096 | $507,983 | $560,854 | $619,228 | $683,678 |
| **EXPENSES** | | | | | | | | | | | |
| General & Administrative Expenses | | $ 25,862.00 | $26,638 | $27,437 | $28,260 | $29,108 | $33,744 | $39,119 | $45,349 | $52,572 | $60,945 |
| Management Fee | | 19,784 | 20,378 | 20,989 | 21,619 | 22,267 | $25,814 | $29,925 | $34,691 | $40,217 | $46,622 |
| Payroll, Payroll Tax & Employee Benefits | | 66,170 | 68,155 | 70,200 | 72,306 | 74,475 | $86,337 | $100,088 | $116,029 | $134,510 | $155,934 |
| Repairs & Maintenance | | 38,000 | 39,140 | 40,314 | 41,524 | 42,769 | $49,581 | $57,478 | $66,633 | $77,246 | $89,549 |
| Electric & Gas Utilities | | 26,000 | 26,780 | 27,583 | 28,411 | 29,263 | $33,924 | $39,327 | $45,591 | $52,853 | $61,271 |
| Water, Sewer & Trash Utilities | | 25,000 | 25,750 | 26,523 | 27,318 | 28,138 | $32,619 | $37,815 | $43,838 | $50,820 | $58,914 |
| Annual Property Insurance Premiums | | 32,555 | 33,532 | 34,538 | 35,574 | 36,641 | $42,477 | $49,242 | $57,085 | $66,178 | $76,718 |
| Property Tax | | 23,120 | 23,814 | 24,528 | 25,264 | 26,022 | $30,166 | $34,971 | $40,541 | $46,998 | $54,484 |
| Reserve for Replacements | | 20,100 | 20,703 | 21,324 | 21,964 | 22,623 | $26,226 | $30,403 | $35,245 | $40,859 | $47,367 |
| Other Expenses: | | 4,000 | 4,120 | 4,244 | 4,371 | 4,502 | $5,219 | $6,050 | $7,014 | $8,131 | $9,426 |
| TOTAL ANNUAL EXPENSES | | $280,591 | $289,009 | $297,679 | $306,609 | $315,808 | $366,108 | $424,419 | $492,018 | $570,384 | $661,231 |
| NET OPERATING INCOME | | $104,397 | $103,679 | $102,862 | $101,943 | $100,915 | $93,988 | $83,564 | $68,836 | $48,845 | $22,447 |
| **DEBT SERVICE** | | | | | | | | | | | |
| First Deed of Trust Annual Loan Payment | | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 | $ 70,313.00 |
| Second Deed of Trust Annual Loan Payment | | | | | | | | | | | |
| Third Deed of Trust Annual Loan Payment | | | | | | | | | | | |
| Other Annual Required Payment: | | | | | | | | | | | |
| **NET CASH FLOW** | | $34,084 | $33,366 | $32,549 | $31,630 | $30,602 | $23,675 | $13,251 | ($1,477) | ($21,468) | ($47,866) |
| Debt Coverage Ratio | #DIV/0! | 1.48 | 1.47 | 1.46 | 1.45 | 1.44 | 1.34 | 1.19 | 0.98 | 0.69 | 0.32 |

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

REAL ESTATE ANALYSIS
**Appeal Election Form**

Contract: 77090000252 Renaissance Village Apt Date Sent: 10/15/10

I am in receipt of my Underwriting Report Notice and have reviewed the Appeal Policy at 10TAC Section 1.7. I recognize that should I choose to file an appeal, I must file a formal appeal to the Executive Director within seven days from the date this Notice was issued. I understand that my appeal must identify my specific grounds for appeal.
If my appeal is denied by the Executive Director, I

- [X] Do wish to have my appeal to the Board of Directors and request that my appeal be added to the next available Board of Directors meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m., seven days prior to the next Board meeting or three days prior if the Executive Director has not responded to my appeal in order to be included in the Board book. I understand that if no documentation is submitted, the appeal documentation submitted to the Executive Director will be utilized.

- [ ] Wish to wait to hear the Executive Director's response before deciding on my appeal to the Board of Directors.

- [ ] Do not wish to appeal to the Board of Directors or Executive Director.

Signed ____________________

Title Executive Director

Date 10/15/2010

Please fax or e-mail to the attention of:
Pam Cloyde: (fax) 512.475.4420
(e-mail) pamela.cloyde@tdhca.state.tx.us

# Housing and Community Services, Inc.

8610 North New Braunfels, Suite 500
San Antonio, Texas 78217-6397

Phone 210.821.4300
Fax 210.821.4303 • Toll Free 888.732.3394
Email: gilp@hcscorp.org



October 15, 2010

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th
Austin, Texas 78711-3941

Attn: Marni Holloway

Re: 67 unit Senior Project - Renaissance Village Apartments
NSP Development Contract # 77090000252
Appeal of Underwriting Report (NSP Loan Amortization Terms)

Dear Mr. Gerber:

Please accept this letter as our appeal of the underwriting report. We respectfully request a thirty (30) year loan with a forty (40) year amortization at 0% interest rate. In requesting these terms, HCS would offer to use 50% of the net cash flow generated by the change in amortization to provide services to the elderly at the property.

TDHCA's NOFA for this NSP funding says that a multifamily property targeting residents with incomes at or below 50% of the area median income may receive "financing through a 30-year amortizing loan at zero percent (0%) interest." We believe this language is clear that the loan must have a 30-year term. However, it does not specify a 30-year amortization. It simply says that it must be an "amortizing" loan. Had a 30-year amortization been required, the NOFA could have referred to a "loan at zero percent (0%) interest with a 30-year term and a 30-year amortization." Lacking this specificity, we believe a 40-year amortization fits within the language of the NOFA. Moreover, a 40-year amortization is essential for the viability of the property, as described below.

Background:
As a non-profit, Housing and Community Services, Inc. (HCS) was anxious to utilize the Neighborhood Stabilization Program to acquire and preserve properties.

Initially, HCS targeted the 54 unit Castle Manor Apartments for use of NSP funds. However, because of the program guidelines that would not allow the property to be put under contract prior to application, the lender could not wait until HCS actually had a contract. This project had one, two and three bedroom units. With the higher rents generated by the three bedroom units, this property was able to serve residents with household incomes at or below 50% while servicing a thirty (30) year loan amortizing over 30 years with a 0% interest rate .

After losing its initial project, HCS had a hard time finding a project that would be suitable for the program. It appeared that most foreclosed multifamily properties were being sold to cash buyers and the lenders did not want to wait out the perceived long term NSP process. After looking at and making offers on several properties, HCS chose the 67 unit Renaissance Village Apartments. The owner was the San Antonio Federal Credit Union. It was willing to sell the project for less than the $1,800,000 asking price and work with HCS and NSP to produce a community benefit. As we went through the process of making an offer and evaluating the property, it became clear early on that the unit makeup (mostly 1 bedroom units – 53 ones and 14 twos) was going to strain the financial model of leasing to families with incomes at or below 50% of the area median income and, in turn, servicing a thirty (30) year loan amortizing 0% interest over 30 years. Nonetheless, HCS tried to proceed and was awarded NSP funding. In working through this process, HCS worked closely with its TDHCA representative, Thomas Kincaid.

The project was put under contract by HCS on March 25, 2010 and later extended on May 28, 2010 and finally on August 23, 2010 which then extended the purchase contract until October 8, 2010. On October 8, 2010, HCS acquired the property using its own funds as the TDHCA was not in a position to close.

As HCS worked through the NSP process, including environmental clearance, it continued to have to extend the purchase contract as various processing hurdles were cleared. With each contract extension the seller requested hard earnest money or additional consideration. As the first extension was expiring, HCS was informed that the TDHCA would require an eight step environmental process for the project. This process could not be completed until September 3, 2010 which was after the current term of the first extension. Before negotiating the first and second extension, HCS asked that the TDHCA look at the feasibility of the project specifically providing a thirty (30) year loan with a forty (40) year amortization. In submitting the proformas to the TDHCA, HCS used the average operating expenses for Region 9 in setting out the operations of the property and a thirty (30) year loan with a forty (40) year amortization. The TDHCA indicated that things could be worked out relative to the financing and provided a letter to the seller indicating that the eight step environmental process was all that was necessary to complete the financing.

The last extension occurred on August 23, 2010 and extended the sales contract to October 8, 2010. HCS was required to pay an extension fee of $25,000. This fee along with the earlier earnest money of $15,000 was now non-refundable. In order to get a contractor on board for a looming September 3, 2010 NSP deadline, HCS engaged an architect to prepare rehab plans and specifications and to assist in the bid process to procure a contractor. A contractor was engaged on September 3, 2010.

Shortly after extending the purchase contract for a second time, HCS was asked by TDHCA to enter into a Developer's Contract in order to preserve the availability of the NSP funds. HCS and its counsel worked through that document with TDHCA. Unfortunately, the TDHCA underwriting report was still not prepared for this deal. So, during that negotiation process, HCS and its counsel reminded TDHCA that the loan would require a 40-year amortization in order to be viable. In fact, HCS's counsel specifically requested a provision allowing HCS to terminate the Developer's Contract if the underwriting terms produced by TDHCA were not acceptable.

On September 22, 2010, the TDHCA provided a draft underwriting report which reflected a thirty (30) year loan with a thirty (30) year amortization and a 0% interest rate. In order to make the loan terms work, underwriting staff lowered the operating expenses below the average operating expenses for Region 9 as well as the vacancy from the appraiser recommended 10% to 7.5%. In their pro formas, neither the HCS or the TDHCA expenses provide for services for the elderly residents.

Basically HCS operating costs per unit were $4,335 and the TDHCA was $3,980. Both include the higher than average insurance costs as a portion of the property is in the 100 year flood plain and thus has flood insurance in addition to standard casualty and liability insurance. TDHCA lowered administrative costs, management fees, utilities and property taxes. HCS does not believe the property will be able to service debt on a 30-year amortization with the operating costs it believes will be necessary to keep the property in appropriate condition. Moreover, HCS would like to be able to provide services to the residents but will unable to do so if it must service the debt with a 30-year amortization period.

Upon receipt of the draft underwriting report, HCS endeavored to talk to TDHCA staff further about the amortization issue but was told that the NOFA never permitted an amortization beyond 30 years. This was the first HCS had heard this pronouncement. Previously, HCS had been told that staff would try to work with us. Had HCS known that a 40-year amortization was not even in the realm of possibility, it would not have extended the purchase contract in May or in August, and it would not have signed the Developer's Contract.

HCS has incurred up to the delivery of the underwriting report, $40,000 in non-refundable purchase contract deposits, $60,000 for architecture and another approximately $50,000 in due diligence and application costs. With over $100,000 expended to date and the viability of the project in question, HCS faced a very difficult decision on October 8 as to whether to purchase the property or terminate the project and allow the NSP funds to go unused. With the hope that HCS could appeal this underwriting issue and that TDHCA would see how critical it is for the property to be able to operate within a reasonable budget and for the property to be able to provide social services to the residences, HCS went ahead and acquired the property with its own funds.

We respectfully request the longer amortization of forty (40) years and are willing to use 50% of the net cash flow to be put back into the property in the form of services to the elderly residents. Please grant this appeal and, if you cannot do so, please submit it to the Board for consideration at its November meeting.

Yours truly,

Gilbert M. Piette
Executive Director

cc: Cynthia Bast, Locke Lord Bissell & Liddell LLP
Raymond H. Lucas, Lucas & Associates, L.P.
Brent Stewart, TDHCA
Marni Holloway, TDHCA
Thomas Kincaid, TDHCA
Megan Sylvester, TDHCA

Attachments
Timeline
Underwriting and applicant operating budget comparison
TDHCA letter provided seller

# Timeline

| | |
|---|---|
| September 1, 2009 | Execution NSP Contract 77090000252 between TDHCA & HCS |
| March 25, 2010 | Executed Purchase Contract Escrowed with Title Company |
| March 25, 2010 | Execution of TDHCA Amendment increasing TDHCA award |
| May 28, 2010 | Amend Purchase Agreement to extend contract to 8-23-10 with consideration that all $15,000 earnest money is non-refundable after June 10 |
| August 18, 2010 | TDHCA letter to San Antonio Federal Credit Union |
| August 23, 2010 | Amend Purchase Agreement to extend contract to 10-8-10 for $25,000 non-refundable extension fee |
| September 1, 2010 | Execution of Developers Agreement 77090000252 between TDHCA & HCS |
| September 22, 1010 | TDHCA Underwriting report issued |
| October 8, 2010 | HCS closes purchase using its own funds |

## PROFORMA ANALYSIS & DEVELOPMENT COSTS

***Renaissance Village Apartments, San Antonio, NSP #77090000152***

| INCOME | Total Net Rentable Sq Ft: | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | $423,744 | $423,744 | | | |
| Secondary Income | | Per Unit Per Month: | $5.00 | 4,020 | , | $0.00 | Per Unit Per Month | |
| Other Support Income: | | | | | | $0.00 | Per Unit Per Month | |
| Other Support Income: | | | | | | $0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | $427,764 | $423,744 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | (32,082) | (42,372) | -10.00% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | $395,682 | $381,372 | | | |
| **EXPENSES** | % OF EGI | PER UNIT | PER SQ FT | | | PER SQ FT | PER UNIT | % OF EGI |
| General & Administrative | 5.91% | $349 | 0.49 | $23,376 | $25,862 | $0.54 | $386 | 6.78% |
| Management | 5.00% | $295 | 0.41 | 19,784 | 27,000 | 0.57 | 403 | 7.08% |
| Payroll & Payroll Tax | 16.70% | $986 | 1.38 | 66,083 | 66,170 | 1.39 | 988 | 17.35% |
| Repairs & Maintenance | 9.69% | $572 | 0.80 | 38,334 | 38,000 | 0.80 | 567 | 9.96% |
| Utilities | 5.57% | $329 | 0.46 | 22,028 | 26,000 | 0.54 | 388 | 6.82% |
| Water, Sewer, & Trash | 5.80% | $343 | 0.48 | 22,968 | 25,000 | 0.52 | 373 | 6.56% |
| Property Insurance | 8.21% | $485 | 0.68 | 32,491 | 32,491 | 0.68 | 485 | 8.52% |
| Property Tax 2.713497 | 4.42% | $261 | 0.37 | 17,499 | 23,120 | 0.48 | 345 | 6.06% |
| Reserve for Replacements | 5.08% | $300 | 0.42 | 20,100 | 20,100 | 0.42 | 300 | 5.27% |
| TDHCA Compliance Fees | 0.00% | $0 | 0.00 | 0 | 2,680 | 0.06 | 40 | 0.70% |
| Other: Security | 1.01% | $60 | 0.08 | 4,000 | 4,000 | 0.08 | 60 | 1.05% |
| TOTAL EXPENSES | 67.39% | $3,980 | $5.59 | $266,663 | $290,423 | $6.09 | $4,335 | 76.15% |
| NET OPERATING INC | 32.61% | $1,926 | $2.70 | $129,018 | $90,949 | $1.91 | $1,357 | 23.85% |

| DEBT SERVICE | TDHCA | APPLICANT |
|---|---|---|
| TDHCA NSP Project Funds | $93,750 | $70,313 |
| TDHCA NSP Administrative Funds | $0 | |
| Additional Financing | $0 | |
| Additional Financing | 0 | |
| Additional Financing | 0 | |
| TOTAL DEBT SERVICE | 93,750 | 70,313 |
| NET CASH FLOW | $35,268 | $20,636 |
| AGGREGATE DEBT COVERAGE RATIO | 1.38 | 1.29 |
| RECOMMENDED DEBT COVERAGE RATIO | 1.38 | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 33.86% | $14,925 | $20.96 | $1,000,000 | $1,000,000 | $20.96 | $14,925 | 35.56% |
| Off-Sites | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 13.12% | $5,783 | $8.12 | 387,475 | 387,475 | 8.12 | 5,783 | 13.78% |
| Direct Construction | | 30.82% | $13,584 | $19.07 | 910,158 | 910,158 | 19.07 | 13,584 | 32.36% |
| Contingency | 10.00% | 2.61% | $1,149 | $1.61 | 77,008 | 129,763 | 2.72 | 1,937 | 4.61% |
| Contractor's Fees | 13.22% | 6.15% | $2,711 | $3.81 | 181,669 | 181,669 | 3.81 | 2,711 | 6.46% |
| Indirect Construction | | 6.89% | $3,036 | $4.26 | 203,435 | 203,435 | 4.26 | 3,036 | 7.23% |
| Ineligible Costs | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Administrative Costs | 0.00% | 4.76% | $2,099 | $2.95 | 140,625 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserves | | 1.79% | $787 | $1.11 | 52,755 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $44,076.49 | $61.89 | $2,953,125 | $2,812,500 | $58.94 | $41,978 | 100.00% |
| *Construction Cost Recap* | | *52.70%* | *$23,229* | *$32.61* | *$1,556,310* | *$1,609,065* | *$33.72* | *$24,016* | *57.21%* |

| SOURCES OF FUNDS | | | | | | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| TDHCA NSP Project Funds | 95.24% | $41,978 | $58.94 | $2,812,500 | $2,812,500 | $2,812,500 | Developer Fee Available |
| TDHCA NSP Administrative Funds | 4.76% | $2,099 | $2.95 | 140,625 | | 140,625 | $0 |
| HTC Syndication Proceeds | 0.00% | $0 | $0.00 | 0 | | 0 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | | 0 | #DIV/0! |
| Additional (Excess) Funds Req'd | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $2,953,125 | $2,812,500 | $2,953,125 | $502,618 |

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR



August 18, 2010

San Antonio Federal Credit Union
dba San Antonio Living Enterprises, LLC.
801 N. St. Mary's
San Antonio, Texas 78205

Re: Renaissance Village Apartments, HUD Requirements for Environmental Clearance when Property is Located in a 100 year floodplain. (Eight Step Decision Making Process under 24 CFR Part 55)

Dear Sir or Madam:

Housing Community Services, Inc. is accessing funds from the U.S. Department of Housing and Urban Development (HUD) through the Neighborhood Stabilization Program administered by the Texas Department of Housing and Community Affairs (TDHCA). The funds will be used to acquire and rehabilitate a multi-family residential senior housing community known as Renaissance Village Apartments, located at 8219 Perrin Beitel Road, San Antonio, TX.

All HUD funded projects are required to meet the environmental standards for review as outlined in 24 CFR Part 58. Neither HUD funding nor any leveraged funds within the project may be committed prior to the environmental clearance/release of funds. The Initial environmental review under 24 CFR Part 58 identified Renaissance Village Apartments as being partially located within a Special Flood Hazard Area triggering compliance with Executive Order 11988, the Flood Disaster Protection Act. This Executive Order requires that any project utilizing Federal funds perform an eight-step decision making process as outlined in 24 CFR Part 55.20.

Renaissance Village Apartments has since completed the required eight-step decision making process including, the required publications and comment periods. Renaissance Village Apartments is currently within the final stage of the environmental review (required Federal comment period) with TDHCA and the anticipated date for the Release of Funds through HUD is September 3, 2010.

Although none of the required notifications or citizen comment periods can be waived or altered, a request has been made to the HUD Regional Office to expedite the response and assure us that barring any comments or concerns the clearance will be received the morning of September 3, 2010

If you have any further questions or concerns please do not hesitate to contact me at 512-475-0430 or Tom Kincaid at 512-936-7795.

Sincerely,

Cynthia Vallejo

Cynthia Vallejo, Senior Environmental Specialist
Program Services Division

cc: Mr. Gilbert Piette, Executive Director CEO

§ 55.20 Decision making process

The decision making process for compliance with this part contains eight steps, including public notices and an examination of practicable alternatives. The steps to be followed in the decision making process are:

(a) *Step 1*. Determine whether the proposed action is located in a 100-year floodplain (or a 500-year floodplain for a Critical Action). If the proposed action would not be conducted in one of those locations, then no further compliance with this part is required.

(b) *Step 2*. Notify the public at the earliest possible time of a proposal to consider an action in a floodplain (or in the 500-year floodplain for a Critical Action), and involve the affected and interested public in the decision making process.
(1) The public notices required by paragraphs (b) and (g) of this section may be combined with other project notices wherever appropriate. Notices required under this part must be bilingual if the affected public is largely non-English speaking. In addition, all notices must be published in an appropriate local printed news medium, and must be sent to federal, state, and local public agencies, organizations, and, where not otherwise covered, individuals known to be interested in the proposed action.
(2) A minimum of 15 calendar days shall be allowed for comment on the public notice.
(3) A notice under this paragraph shall state: the name, proposed location and description of the activity; the total number of acres of floodplain involved; and the HUD official and phone number to contact for information. The notice shall indicate the hours and the HUD office at which a full description of the proposed action may be reviewed.

(c) *Step 3*. Identify and evaluate practicable alternatives to locating the proposed action in a floodplain (or the 500-year floodplain for a Critical Action).
(1) The consideration of practicable alternatives to the proposed site or method may include:
(i) Locations outside the floodplain (or 500-year floodplain for a Critical Action);
(ii) Alternative methods to serve the identical project objective; and
(iii) A determination not to approve any action.
(2) In reviewing practicable alternatives, the Department or a grant recipient subject to 24 CFR part 58 shall consider feasible technological alternatives, hazard reduction methods and related mitigation costs, and environmental impacts.

(d) *Step 4.* Identify the potential direct and indirect impacts associated with the occupancy or modification of the floodplain (or 500-year floodplain for a Critical Action).

(e) *Step 5*. Where practicable, design or modify the proposed action to minimize the potential adverse impacts within the floodplain (including the 500-year floodplain for a Critical Action) and to restore and preserve its natural and beneficial values. All critical actions in the 500-year floodplain shall be designed and built at or above the 100-year floodplain (in the case of new construction) and modified to include:
(1) Preparation of and participation in an early warning system;
(2) An emergency evacuation and relocation plan;
(3) Identification of evacuation route(s) out of the 500-year floodplain; and
(4) Identification marks of past or estimated flood levels on all structures.

_(f) *Step 6.*_ Reevaluate the proposed action to determine:
(1) Whether it is still practicable in light of its exposure to flood hazards in the floodplain, the extent to which it will aggravate the current hazards to other floodplains, and its potential to disrupt floodplain values; and
(2) Whether alternatives preliminarily rejected at Step 3 (paragraph (c)) of this section are practicable in light of the information gained in Steps 4 and 5 (paragraphs (d) and (e)) of this section.

_(g) *Step 7.*_
(1) If the reevaluation results in a determination that there is no practicable alternative to locating the proposal in the floodplain (or the 500-year floodplain for a Critical Action), publish a final notice that includes:
(i) The reasons why the proposal must be located in the floodplain;
(ii) A list of the alternatives considered; and
(iii) All mitigation measures to be taken to minimize adverse impacts and to restore and preserve natural and beneficial values.
(2) In addition, the public notice procedures of §55.20(b)(1) shall be followed, and a minimum of 7 calendar days for public comment before approval of the proposed action shall be provided.

_(h) *Step 8.*_ Upon completion of the decision making process in Steps 1 through 7, implement the proposed action. There is a continuing responsibility to ensure that the mitigating measures identified in Step 7 are implemented.

# Executive Director's Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us



October 21, 2010

Gilbert Piette
Housing and Community Services, Inc.
8610 N. New Braunfels, Suite 500
San Antonio, TX 78217-6397

Re: Appeal of NSP Loan Amortization Period for Renaissance Village Apartments, TDHCA Contract # 77090000252

Dear Mr. Piette:

I have received your appeal requesting that the amortization period of the Neighborhood Stabilization Program (NSP) loan be increased from the recommended 30 years to 40 years. Along with this request you have offered to use 50% of the net cash flow of the development to provide services to the tenants. The appeal documentation asserts that the NSP NOFA does not specifically state that NSP loans must have a 30 year amortization period, and also that a 40 year amortization period is essential for the viability of the project based upon the owner's operating projections.

The Texas Neighborhood Stabilization Program Re-Allocation Notice of Funding Availability (NOFA) states that "Units leased to households at or below 50% of the Area Median Income will be eligible for financing through a 30-year amortizing loan at zero percent (0%) interest." The Substantial Amendment to the State of Texas CDBG Action Plan for the Neighborhood Stabilization Program explicitly states that for acquisition activities, which may be combined with other activities such as rehabilitation, "assistance to rental property restricted to households earning 50% or less of AMI may have an interest rate at 0% fully amortized over 30 years." These statements do not break down or differentiate "term" versus "amortization" but the plain English interpretation and intent of the language was to be a 30 year amortization and concurrent 30 year term. As part of your NSP application, you certified to your understanding that "the Applicant will be held to the requirements of: The Substantial Amendment to the State of Texas CDBG Action Plan for the Neighborhood Stabilization Program," which include this requirement for a 30 year amortization period. Furthermore, Housing and Community Services, Inc. entered into Developer's Contract No. 7709000252 commencing September 3, 2010, of which Exhibit A, Section III.4 states "the loan term shall be up to 30 years, fully amortizing with an up to 30 year amortizing loan." Fully amortizing loans, by definition include regular payments of principal and interest in an amount sufficient to retire the loan within the loan term.

The requirement for a 30 year amortization period is clear, and is documented in the Developer's Contract executed by Housing and Community Services, Inc. The underwriting recommendation is consistent with this requirement. Your appeal is therefore denied.

In addition and to support your claim for the need for the 40 year amortization, you have challenged several assumptions used in the Underwriting Report for the subject development, dated September 22, 2010. You assert that the expenses used by the Underwriter are too low, as is the vacancy and collection loss factor, and that a higher expense level is indicated by the Applicant's pro forma. However the pro forma provided in the application, if accepted, provides for an infeasible development and a loan under such circumstances cannot be supported. The Applicant's submitted pro forma is infeasible even using the assumption of a 40 year amortization period, with an expense to income ratio of approximately 76%, a debt coverage ratio (DCR) below 1.15 by year 10, and negative cash flow by year 15. The Underwriter continued to evaluate the development despite the infeasibility indicated in the Applicant's pro forma, and found that the Applicant's expenses were overstated as compared to the Department's operating expense database and expectations based on historic operations, and that vacancy and collection loss assumption was overstated based upon long term operating expectations. As a result of these findings, and after adjustments for the Applicant's overstated expenses and vacancy assumptions, the Underwriter found the development marginally feasible at the terms required under the NSP program, excepting the expense to income ratio to allow for the use of a 68% maximum. If the Department agreed that the Applicant's expenses and vacancy factor were correct, the development could not be recommended for award with either a 30 or 40 year amortization period.

It should be noted that the Underwriter's total expenses on both a per unit and per square foot basis are higher than the database average for the region. The Underwriter relied on the database per unit average for general and administrative expense, used a 5% management fee consistent with Real Estate Analysis Rules (REA Rules), relied on the Applicant's staffing plan for payroll, and relied on actual insurance information. The Applicant's expense estimate includes a TDHCA compliance fee that will not be charged for this development, and as such is overstated by that amount. Additionally, the Underwriter's estimate of property taxes is supported by a net operating income based approach, which the Applicant's is not. The expenses estimated by the Underwriter are therefore considered reasonable.

Per your request, your appeal has been placed on the next Board meeting agenda. Pursuant to 10 TAC §1.7(d), if you wish to submit an appeal to the Board, appeal documentation **must** be received by 5:00 p.m. CST on **October 26, 2010** to be placed with the November 2010 Board materials. If no additional documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Sincerely,

Michael Gerber
Executive Director

REA/amm

cc: Cynthia Bast
Raymond Lucas

# Underwriting Report

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

Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/22/10 PROGRAM: NSP FILE NUMBER: **77090000252**

**This underwriting report has been modified in scope due to the uniqueness of the NSP Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the rehabilitation costs and the 30 year viability of the development as proposed and per the funding source guidelines. Where necessary, the NSP program guidelines supersede the REA underwriting guidelines.**

## DEVELOPMENT

### Renaissance Village Apartments

Location: 8219 Perrin Beitel Region: 8

City: San Antonio County: Bexar Zip: 78218 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Urban, Senior

## ALLOCATION

| | REQUEST | | | **RECOMMENDATION** | | |
|---|---|---|---|---|---|---|
| TDHCA Program | Amount | Interest | Amort/Term | **Amount** | **Interest** | **Amort/Term** |
| NSP Loan | $2,812,500 | 0.00% | 480 / 40 | **$2,812,500** | **0.00%** | **360 / 30** |
| NSP Grant (Administration funds) | $140,625 | | | **$140,625** | | |

## SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---|---|---|
| Income Limit | Rent Limit | Number of Units |
| 50% of AMI | 50% of AMI | 67 |

STRENGTHS/MITIGATING FACTORS

- The Appraiser reports that "Values and rents in the neighborhood have shown stability, with a long-term upward momentum."

WEAKNESSES/RISKS

- If the County does not complete its flood mitigation plan, excessive operating expenses will continue due to the required flood insurance premiums.

## PREVIOUS UNDERWRITING REPORTS

None

This section intentionally left blank.

## DEVELOPMENT TEAM

### OWNERSHIP STRUCTURE

HCS 501, LLC dba
Reniassance Village Apartments

Housing and Community Services, Inc. Sole Member

Gilbert M. Piette
Executive Director of Sole Member

HCS Board Members

John Longoria – President
Eugenie A. Blaskovitz – Vice-President
Perry Deckard – Secretary
Marvin Melson – Treasurer
BJ Burns
Gloria Flores
Lucy Martinez
Joan Cortinas
Carl Forinash
Diamantina Garcia
Nancy Hard
Adolph 'Jake' Jacobson
George H. Rodriguez
Raphael Torres
ErnestineTrujillo

### CONTACT

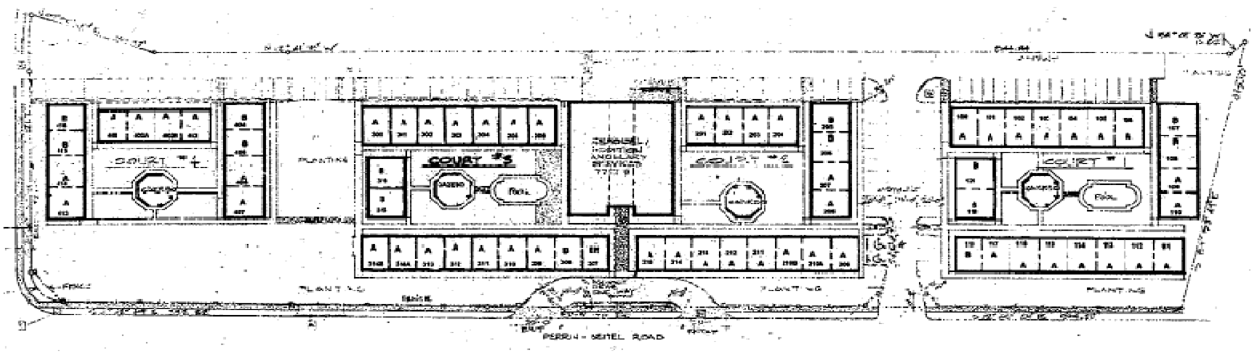
| | | | | | |
|---|---|---|---|---|---|
| Contact: | Ray Lucas | Phone: | (210) 821-4390 | Fax: | (210) 821-4393 |
| Email: | luke007rhl@aol.com | | | | |

### IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

## PROPOSED SITE

### SITE PLAN



### BUILDING CONFIGURATION

| Building Type | A | B | C | D | E | F | G | H | I | J | Total Buildings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Floors/Stories | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | | | |
| Number | 4 | 2 | 1 | 2 | 2 | 1 | 1 | | | | **13** |

| BR/BA | | SF | Units | | | | | | | | | | Total Units | Total SF |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 1 | 435 | | | | | | | 1 | | | | 1 | 435 |
| 1 | 1 | 688 | 2 | 7 | 7 | | 4 | 8 | 7 | | | | 52 | 35,776 |
| 2 | 1 | 822 | 2 | | 1 | 2 | | | 1 | | | | 14 | 11,508 |
| Units per Building | | | 4 | 7 | 8 | 2 | 4 | 8 | 9 | | | | **67** | **47,719** |

### SITE ISSUES

| | | | | | |
|---|---|---|---|---|---|
| Total Size: | 4.389 acres | Scattered site? | ☐ Yes | ☑ No | |
| Flood Zone: | X, AE | Within 100-yr floodplain? | ☑ Yes | ☐ No | |
| Zoning: | MF-33 | Needs to be re-zoned? | ☐ Yes | ☑ No | ☐ N/A |

Comments:

"The south two quadrangles were heavily involved in flooding during a 1998 rain event (100-year rainfall). Reportedly, the flooding was, at least in part the result of illegal dumping of construction waste downstream from the subject which constricted water flow. This constriction had been cleared when another 100-year rain was received in 2002. No flooding occurred at the subject during this second storm. City and County have passed a bond issue and plans are in place to further improve the drainage and flow along Perrin Beitel Creek which should help protect the subject and its neighbors from future torrential rain falls." (appraisal, p. v)

The Applicant has provided two separate development alternatives, presented in the Property Condition Assessment as Development Plan 1 and Development Plan 2. Plan 1 calls for the rehabilitation of all 67 units. Under Plan 2, the Applicant would acquire the entire site, but then sell the southernmost section (Courtyard Four) to the County. The twelve units in Courtyard Four would be demolished as part of the County's plan to mitigate the floodplain issues in the surrounding neighborhoods.

### TDHCA SITE INSPECTION

Comments:

TDHCA has not performed a site inspection. The NSP Program is relying on subrecipients' inspections and third party inspections/reports.

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Astex Environmental Services Date: 4/30/2010

Comments:

The Neighborhood Stabilization Program requires that federal regulations may also apply such as, but not limited to, 24 CFR Part 58 for environmental requirements. Funds recipients must complete environmental review procedures and receive release of funds prior to purchase of any property or commencement of construction.

An evaluation of environmental issues has not been completed as part of the underwriting evaluation.

## MARKET ANALYSIS

Provider: Appraisals Unlimited Date: 5/13/2010

Primary Market Area:

"The neighborhood … sits in the north central / northeast quadrant of the city where little or limited development and growth is anticipated because the north / northwest parts of the community are more attractive. Also, this is a relatively mature neighborhood ... The dominant value is mid value and effective ages for most properties are estimated at 20 to 30+ years ... Overall the immediate environs are considered about 80% to 90% developed with the dominant tenants being multi-family with commercial/retail/office along the Loop. Values and rents have shown stability, with a long-term upward momentum." (appraisal, p. 21)

Comments:

NSP applications are not required to submit a market study. Some market information is provided by the appraisal.

## OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2010

The Applicant's rental income is based on the HOME/CDBG/NSP Program Rents adjusted for utility allowances from the San Antonio Housing Authority. Tenants pay for cooking, air conditioning, and general electricity; the property provides heating and hot water. The Applicant did not include any secondary income; and the Applicant has allowed for losses of 10% of EGI due to vacancy and collection.

The underwriting estimate for rental income is equivalent to the Applicant's. Underwriting guidelines assume a minimum of $5 per unit in non-rental income, and losses for vacancy and collection equal to 7.5% of EGI.

Overall, the Applicant's estimated effective gross income is 4% lower than the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2010

The Applicant's estimated annual operating expenses are equal to $4,335 per unit. This is 9% higher than the underwriting estimate of $3,980. As a non-profit CHDO, the Applicant anticipates a 50% property tax exemption. The Applicant included compliance fees equal to $40 per unit. The underwriting analysis does not include compliance fees. (At this time it is not clear whether there will be compliance fees associated with the NSP Program. If there are fees it will not alter the underwriting recommendation.)

The underwriting estimates are based primarily on the TDHCA database of comparable properties in the region; the estimate for payroll is based on the Applicant's staffing plan, and the estimate for property insurance is based on a quote provided from the Applicant's insurance provider.

Conclusion:

The Applicant's pro forma as submitted indicates an expense to income ratio of 76%, far exceeding the maximum 65% under the Real Estate Analysis Rules. The underwriting pro forma indicates an expense ratio of 67%, also exceeding the limit. The most significant line item is property insurance; this expense is unusually high due to required flood insurance premiums. Since the County has an active program in place to mitigate the floodplain in the surrounding area, which includes eliminating the most flood-prone units at the subject, it is anticipated that the need for flood insurance may be eliminated. Therefore, for the purpose of evaluating the expense to income ratio, the flood insurance premium is considered an extraordinary expense. The underwriting pro forma, excluding the flood insurance premium, indicates an expense ratio of 62.6%.

The Applicant's estimated operating expenses and net operating income both differ from the underwriting estimates by more than 5%; as a result, the underwriting estimates have been used to determine debt capacity and feasibility. The underwriting estimates, with the requested financing amortized over 30 years, indicates a first year debt coverage ratio of 1.38, exceeding the underwriting limit of 1.35. Typically, the recommended financing structure would assume a reduced amortization period to 352 months to achieve the required debt coverage. However, the terms are defined by the NSP Program requirements, which in this case supersede the REA guidelines.

The pro forma submitted by the Applicant is based on Development Plan 1 and includes all 67 units. Should the Applicant proceed with Plan 2 the subject property will only include 55 units. The Underwriter has evaluated the income and expenses pro rated for just the anticipated 55 units. Under these assumptions, the Applicant's effective gross income is 4% lower than the underwriting estimate. Plan 2 specifically involves the elimination of the most flood-prone units for the purpose of implementing the County's flood mitigation plan. Therefore, the flood insurance premium has been excluded from the operating expenses. The Applicant's operating expenses are 8% higher than the underwriting estimate; and the Applicant's net operating income is 28% lower than the underwriting estimate. The expense to income ratio is 74.77% based on the Applicant's pro forma, and 66.46% based on the underwriting pro forma. Based on this the proposed project would be considered infeasible.

Feasibility:

The Underwriter's 30-year pro forma, applying a 2% growth factor to income and 3% to expenses, and using the recommended financing structure, indicates continued positive cash flow and a debt coverage ratio that remains above 1.15 at least through 20 years. The proposed development can therefore be characterized as financially feasible.

## ACQUISITION INFORMATION

### APPRAISED VALUE

| | | | |
|---|---|---|---|
| Provider: | Appraisals Unlimited | Date: | 5/13/2010 |
| Number of Revisions: | None | Date of Last Applicant Revision: | N / A |
| Land Only: 4.39 acres | N / A | | |
| Existing Buildings: (as-is) | N / A | | |
| Total Development: (as-is) | $1,400,000 | As of: | 5/13/2010 |

### ASSESSED VALUE

| | | | |
|---|---|---|---|
| Land Only: 4.39 acres | $382,370 | Tax Year: | 2009 |
| Existing Buildings: | $1,317,630 | Valuation by: | Bexar CAD |
| Total Assessed Value: | $1,700,000 | Tax Rate: | 2.713497 |

This section intentionally left blank.

## EVIDENCE of PROPERTY CONTROL

| | | | |
|---|---|---|---|
| Type: | Commercial Contract - Improved Property | Acreage: | 4.631 |
| Contract Expiration: | 10/8/2010 | Valid Through Board Date? | ☑ Yes ☐ No |
| Acquisition Cost: | $1,000,000 | Other: | |
| Seller: | San Antonio Living Enterprises, LLC | Related to Development Team? | ☐ Yes ☐ No |

Comments:

"San Antonio Federal Credit Union is the sole member (Sole Member) of seller. Sole member foreclosed November 4, 2008 on the property and as part of the foreclosure, formed seller and conveyed ownership to seller at foreclosure." (Contract p. 8 of 13)

## CONSTRUCTION COST ESTIMATE EVALUATION

*COST SCHEDULE* Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2010

Acquisition Value:

The purchase contract indicates a purchase price of $1,000,000.

Sitework Cost:

Site work cost of $387,475, or $5,783 per unit, is indicated by both the Applicant's development cost schedule and the PCA.

Direct Construction Cost:

Direct construction cost of $910,158, or $13,584 per unit, is indicated by both the Applicant's development cost schedule and the PCA.

Interim Interest Expense:

The Applicant is requesting 100% financing from the Department through NSP funds at 0% interest.

Contingency & Reserves:

The Applicant's development cost schedule includes $129,763 for contingency costs. This is equal to 10% of sitework and direct construction cost, the maximum amount based on REA underwriting guidelines for a rehabilitation project. The Applicant did not include any funding for operating reserves; underwriting guidelines assume minimum reserves equal to 2 months of operating expenses and debt service. The Underwriter's cost schedule includes the minimum $52,755 for reserves, and has reduced the contingency line item by the same amount; this leaves $77,008 in funding for contingency, or 5.93% of sitework and rehabilitation costs.

Administration Costs:

The Underwriter's cost schedule includes $140,625 in Administration Costs. This amount is equal to 5% of the NSP Project Funds ($2,812,500), as defined under the Neighborhood Stabilization Program. The underwriting analysis reflects this amount as both a source and a use of funds. The Applicant did not include these costs in either the cost schedule or the sources of funds.

Conclusion:

The underwriting analysis relies on the third party Property Condition Assessment for rehabilitation cost estimates. The costs identified in the PCA are equal to the development cost budget submitted by the Applicant. With the adjustments described above, the Underwriter's total development cost is equal to the Applicant's total cost plus the NSP Administration Costs.

This section intentionally left blank.

## PROPOSED FINANCING STRUCTURE

*SOURCES & USES* Number of Revisions: 1 Date of Last Applicant Revision: 7/31/2010

Source: TDHCA NSP Project Funds Type: **Interim to Permanent Financing**

Principal: $2,812,500 Interest Rate: 0.0% ☑ Fixed Amort: 480 months
Term: 40 years

Comments:

The application states that the loan will amortize over 40 years; however, the NSP Program specifies a 30-year amortization.

Source: TDHCA NSP Administrative Funds Type: **Grant**

Principal: $140,625 Conditions:

Comments:

The Neighborhood Stabilization Program allows for administrative funds, in the form of a grant, equal to 5% of NSP Project Funds .

## CONCLUSIONS

Recommended Financing Structure:

The Underwriter recommends an award of $2,812,500 in NSP Project Funds, amortized over 360 months at 0% interest; and $140,625 in NSP Administrative Funds in the form of a grant.

Underwriter: Date: 09/22/10

*Thomas Cavanagh*

Director of Real Estate Analysis: Date: 09/22/10

*Brent Stewart*

# UNIT MIX/RENT SCHEDULE

***Renaissance Village Apartments, San Antonio, NSP #77090000152***

| LOCATION DATA | |
|---|---|
| CITY: | San Antonio |
| COUNTY: | Bexar |
| SUB-MARKET: | |
| PROGRAM REGION: | 8 |
| RURAL RENT USED: | no |
| IREM REGION: | San Antonio |

| UNIT DISTRIBUTION | | |
|---|---|---|
| # Beds | # Units | % Total |
| Eff | 1 | 1.5% |
| 1 | 52 | 77.6% |
| 2 | 14 | 20.9% |
| 3 | | |
| 4 | | |
| TOTAL | 67 | 100.0% |

| Other Unit Desgination | | | | | | |
|---|---|---|---|---|---|---|
| PROGRAMS: | | | HOME | | | |
| Rent Limit | Eff | 1 | 2 | 3 | 4 | Total Units |
| LH | $506 | $542 | $651 | $743 | $830 | 0 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| MISC | #N/A | #N/A | #N/A | #N/A | #N/A | |

| OTHER ASSUMPTIONS | |
|---|---|
| DEVELOPMENT ACTIVITY: | |
| REVENUE GROWTH: | 2.00% |
| EXPENSE GROWTH: | 3.00% |
| HIGH COST ADJUSTMENT: | |
| APPLICABLE FRACTION: | 100.00% |
| APP % - ACQUISITION: | |
| APP % - CONSTRUCTION: | |

## UNIT MIX / MONTHLY RENT SCHEDULE

| UNIT DESCRIPTION | | | | | | PROGRAM RENT LIMITS | | | APPLICANT RENTS | | | | TDHCA RENTS | | | | OTHER UNIT DESIGNATION | MARKET RENTS | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type | Other Designation | # Units | # Beds | # Baths | NRA | Gross Rent | Tenant Paid Utilities (Verified) | Max Net Program Rent | Delta to Max Program | Rent per NRA | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent per NRA | Delta to Max Program | HOME | Market Rent | TDHCA Savings to Market |
| TC 50% | NSP 50% | 1 | 0 | 1 | 435 | $506 | $28 | $478 | $0 | $1.10 | $478 | **$478** | **$478** | $478 | $1.10 | $0 | $506 | | |
| TC 50% | NSP 50% | 52 | 1 | 1 | 688 | $542 | $35 | $507 | $0 | $0.74 | $507 | **$26,364** | **$26,364** | $507 | $0.74 | $0 | $542 | | |
| TC 50% | NSP 50% | 14 | 2 | 1 | 822 | $651 | $46 | $605 | $0 | $0.74 | $605 | **$8,470** | **$8,470** | $605 | $0.74 | $0 | $651 | | |
| **TOTAL:** | | **67** | | | **47,719** | | | | | | | **$35,312** | **$35,312** | | | | | | |
| **AVG:** | | | | | **712** | | | | **$0** | **$0.74** | **$527** | | | **$527** | **$0.74** | **$0** | **$564** | **$0** | **$527** |
| **ANNUAL:** | | | | | | | | | | | | **$423,744** | **$423,744** | | | | | | |

# PROFORMA ANALYSIS & DEVELOPMENT COSTS

***Renaissance Village Apartments, San Antonio, NSP #77090000152***

| INCOME | Total Net Rentable Sq Ft: | | | | TDHCA | APPLICANT | | | |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | | | | | $423,744 | $423,744 | | | |
| Secondary Income | | | Per Unit Per Month: | $5.00 | 4,020 | | $0.00 | Per Unit Per Month | |
| Other Support Income: | | | | | | | $0.00 | Per Unit Per Month | |
| Other Support Income: | | | | | | | $0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | | $427,764 | $423,744 | | | |
| Vacancy & Collection Loss | | | % of Potential Gross Income: | -7.50% | (32,082) | (42,372) | -10.00% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | | 0 | | | | |
| EFFECTIVE GROSS INCOME | | | | | $395,682 | $381,372 | | | |

| EXPENSES | | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | 5.91% | $349 | 0.49 | $23,376 | $25,862 | $0.54 | $386 | 6.78% |
| Management | | 5.00% | $295 | 0.41 | 19,784 | 27,000 | 0.57 | 403 | 7.08% |
| Payroll & Payroll Tax | | 16.70% | $986 | 1.38 | 66,083 | 66,170 | 1.39 | 988 | 17.35% |
| Repairs & Maintenance | | 9.69% | $572 | 0.80 | 38,334 | 38,000 | 0.80 | 567 | 9.96% |
| Utilities | | 5.57% | $329 | 0.46 | 22,028 | 26,000 | 0.54 | 388 | 6.82% |
| Water, Sewer, & Trash | | 5.80% | $343 | 0.48 | 22,968 | 25,000 | 0.52 | 373 | 6.56% |
| Property Insurance | | 8.21% | $485 | 0.68 | 32,491 | 32,491 | 0.68 | 485 | 8.52% |
| Property Tax | 2.713497 | 4.42% | $261 | 0.37 | 17,499 | 23,120 | 0.48 | 345 | 6.06% |
| Reserve for Replacements | | 5.08% | $300 | 0.42 | 20,100 | 20,100 | 0.42 | 300 | 5.27% |
| TDHCA Compliance Fees | | 0.00% | $0 | 0.00 | 0 | 2,680 | 0.06 | 40 | 0.70% |
| Other: Security | | 1.01% | $60 | 0.08 | 4,000 | 4,000 | 0.08 | 60 | 1.05% |
| TOTAL EXPENSES | | 67.39% | $3,980 | $5.59 | $266,663 | $290,423 | $6.09 | $4,335 | 76.15% |
| NET OPERATING INC | | 32.61% | $1,926 | $2.70 | $129,018 | $90,949 | $1.91 | $1,357 | 23.85% |

| DEBT SERVICE | TDHCA | APPLICANT |
|---|---|---|
| TDHCA NSP Project Funds | $93,750 | $70,313 |
| TDHCA NSP Administrative Funds | $0 | |
| Additional Financing | $0 | |
| Additional Financing | 0 | |
| Additional Financing | 0 | |
| TOTAL DEBT SERVICE | 93,750 | 70,313 |
| NET CASH FLOW | $35,268 | $20,636 |
| AGGREGATE DEBT COVERAGE RATIO | 1.38 | 1.29 |
| RECOMMENDED DEBT COVERAGE RATIO | 1.38 | |

**CONSTRUCTION COST**

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % of TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Acquisition Cost (site or bldg) | | 33.86% | $14,925 | $20.96 | $1,000,000 | $1,000,000 | $20.96 | $14,925 | 35.56% |
| Off-Sites | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Sitework | | 13.12% | $5,783 | $8.12 | 387,475 | 387,475 | 8.12 | 5,783 | 13.78% |
| Direct Construction | | 30.82% | $13,584 | $19.07 | 910,158 | 910,158 | 19.07 | 13,584 | 32.36% |
| Contingency | 10.00% | 2.61% | $1,149 | $1.61 | 77,008 | 129,763 | 2.72 | 1,937 | 4.61% |
| Contractor's Fees | 13.22% | 6.15% | $2,711 | $3.81 | 181,669 | 181,669 | 3.81 | 2,711 | 6.46% |
| Indirect Construction | | 6.89% | $3,036 | $4.26 | 203,435 | 203,435 | 4.26 | 3,036 | 7.23% |
| Ineligible Costs | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Administrative Costs | 0.00% | 4.76% | $2,099 | $2.95 | 140,625 | 0 | 0.00 | 0 | 0.00% |
| Interim Financing | | 0.00% | $0 | $0.00 | 0 | 0 | 0.00 | 0 | 0.00% |
| Reserves | | 1.79% | $787 | $1.11 | 52,755 | 0 | 0.00 | 0 | 0.00% |
| TOTAL COST | | 100.00% | $44,076.49 | $61.89 | $2,953,125 | $2,812,500 | $58.94 | $41,978 | 100.00% |
| ***Construction Cost Recap*** | | *52.70%* | ***$23,229*** | ***$32.61*** | ***$1,556,310*** | ***$1,609,065*** | ***$33.72*** | ***$24,016*** | *57.21%* |

| SOURCES OF FUNDS | % | PER UNIT | PER SQ FT | TDHCA | APPLICANT | RECOMMENDED | |
|---|---|---|---|---|---|---|---|
| TDHCA NSP Project Funds | 95.24% | $41,978 | $58.94 | $2,812,500 | $2,812,500 | $2,812,500 | Developer Fee Available |
| TDHCA NSP Administrative Funds | 4.76% | $2,099 | $2.95 | 140,625 | | 140,625 | $0 |
| HTC Syndication Proceeds | 0.00% | $0 | $0.00 | 0 | | 0 | % of Dev. Fee Deferred |
| Deferred Developer Fees | 0.00% | $0 | $0.00 | 0 | | 0 | #DIV/0! |
| Additional (Excess) Funds Req'd | 0.00% | $0 | $0.00 | 0 | 0 | 0 | 15-Yr Cumulative Cash Flow |
| TOTAL SOURCES | | | | $2,953,125 | $2,812,500 | $2,953,125 | $502,618 |

***Renaissance Village Apartments, San Antonio, NSP #77090000152***

## PROPOSED PAYMENT COMPUTATION

| | | | |
|---|---|---|---|
| **NSP Project Funds** | $2,812,500 | Amort | 360 |
| Int Rate | 0.00% | DCR | 1.38 |

| | | | |
|---|---|---|---|
| **NSP Admin Funds** | $140,625 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.38 |

## RECOMMENDED FINANCING STRUCTURE:

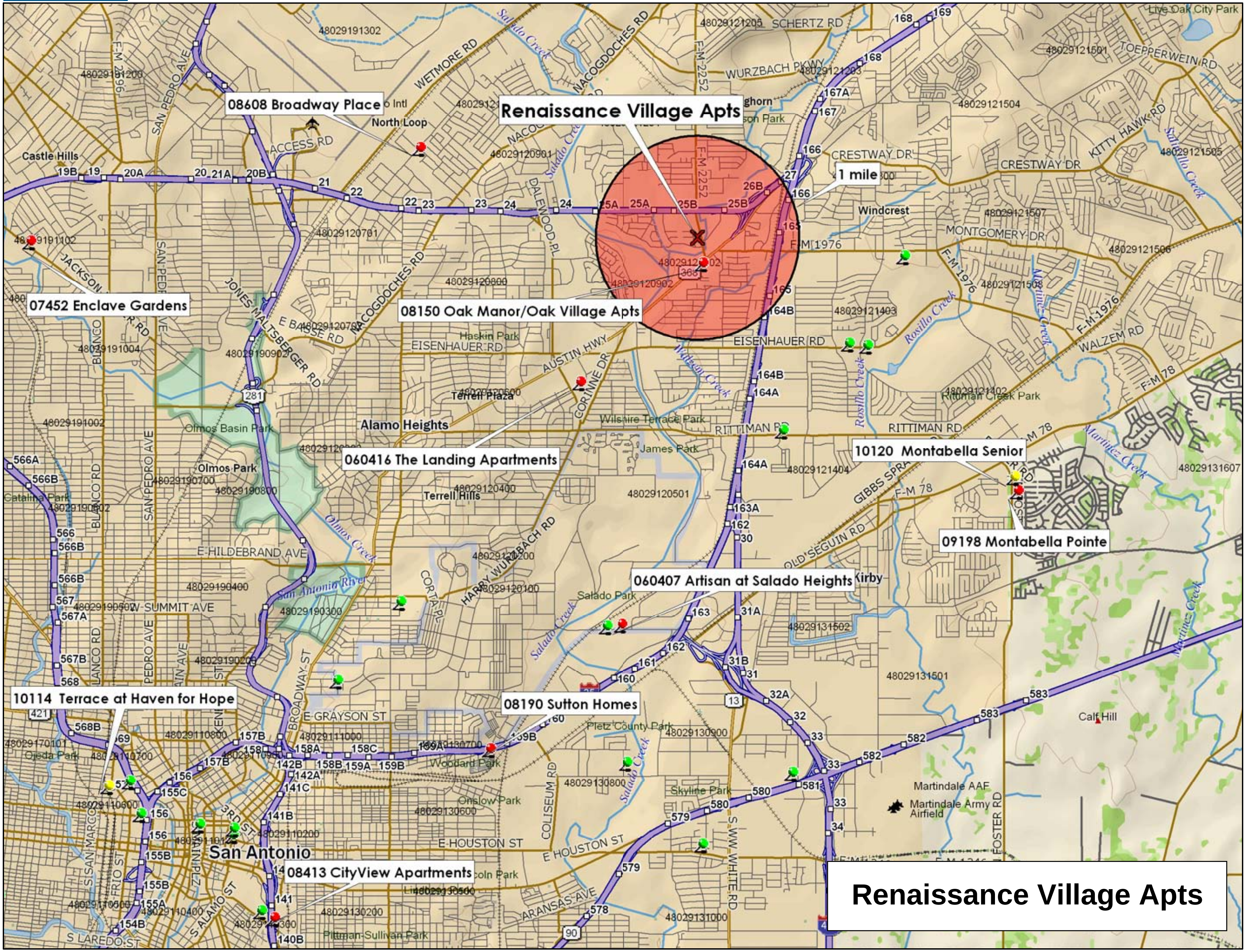
| | |
|---|---|
| NSP Project Funds | $93,750 |
| NSP Admin Funds | 0 |
| TOTAL DEBT SERVICE | **$93,750** |


| | | | |
|---|---|---|---|
| **NSP Project Funds** | $2,812,500 | Amort | 360 |
| Int Rate | 0.00% | DCR | 1.38 |

| | | | |
|---|---|---|---|
| **NSP Admin Funds** | $140,625 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.38 |


## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

| INCOME at 2.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|---|---|---|---|---|---|---|---|---|---|
| POTENTIAL GROSS RENT | $423,744 | $432,219 | $440,863 | $449,681 | $458,674 | $506,413 | $559,121 | $617,315 | $752,504 |
| Secondary Income | 4,020 | 4,100 | 4,182 | 4,266 | 4,351 | 4,804 | 5,304 | 5,856 | 7,139 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 427,764 | 436,319 | 445,046 | 453,947 | 463,026 | 511,218 | 564,426 | 623,171 | 759,642 |
| Vacancy & Collection Loss | (32,082) | (32,724) | (33,378) | (34,046) | (34,727) | (38,341) | (42,332) | (46,738) | (56,973) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | $395,682 | $403,595 | $411,667 | $419,901 | $428,299 | $472,876 | $522,094 | $576,434 | $702,669 |
| EXPENSES at 3.00% | | | | | | | | | |
| General & Administrative | $23,376 | $24,077 | $24,800 | $25,544 | $26,310 | $30,500 | $35,358 | $40,990 | $55,087 |
| Management | 19,784 | 20,180 | 20,583 | 20,995 | 21,415 | 23,644 | 26,105 | 28,822 | 35,133 |
| Payroll & Payroll Tax | 66,083 | 68,065 | 70,107 | 72,211 | 74,377 | 86,223 | 99,956 | 115,877 | 155,729 |
| Repairs & Maintenance | 38,334 | 39,484 | 40,669 | 41,889 | 43,145 | 50,017 | 57,984 | 67,219 | 90,337 |
| Utilities | 22,028 | 22,689 | 23,370 | 24,071 | 24,793 | 28,742 | 33,319 | 38,626 | 51,911 |
| Water, Sewer & Trash | 22,968 | 23,657 | 24,367 | 25,098 | 25,851 | 29,969 | 34,742 | 40,275 | 54,126 |
| Insurance | 32,491 | 33,466 | 34,470 | 35,504 | 36,569 | 42,393 | 49,146 | 56,973 | 76,567 |
| Property Tax | 17,499 | 18,024 | 18,564 | 19,121 | 19,695 | 22,832 | 26,468 | 30,684 | 41,237 |
| Reserve for Replacements | 20,100 | 20,703 | 21,324 | 21,964 | 22,623 | 26,226 | 30,403 | 35,245 | 47,367 |
| TDHCA Compliance Fee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 4,000 | 4,120 | 4,244 | 4,371 | 4,502 | 5,219 | 6,050 | 7,014 | 9,426 |
| TOTAL EXPENSES | $266,663 | $274,465 | $282,498 | $290,767 | $299,280 | $345,765 | $399,532 | $461,726 | $616,921 |
| NET OPERATING INCOME | $129,018 | $129,130 | $129,170 | $129,134 | $129,019 | $127,111 | $122,562 | $114,708 | $85,749 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | $93,750 | $93,750 | $93,750 | $93,750 | $93,750 | $93,750 | $93,750 | $93,750 | $93,750 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $35,268 | $35,380 | $35,420 | $35,384 | $35,269 | $33,361 | $28,812 | $20,958 | ($8,001) |
| DEBT COVERAGE RATIO | 1.38 | 1.38 | 1.38 | 1.38 | 1.38 | 1.36 | 1.31 | 1.22 | 0.91 |



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Scale 1 : 81,250
1" = 1.28 mi
Data Zoom 11-3

# Developer’s Contract

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
NEIGHBORHOOD STABILIZATION PROGRAM ("NSP")
Awarding Federal Agency: United States Department of Housing and Urban Development
TDHCA Federal Award Number: B-08-DN-48-0001
Award Year (Year of Award from HUD to TDHCA): 2008
TDHCA AWARD YEAR (Year of TDHCA Board Approval): 2010

DEVELOPER'S CONTRACT NO. 77090000252
With
HOUSING AND COMMUNITY SERVICES, INC., A TEXAS NONPROFIT CORPORATION

(this "Contract" or "Developer Contract")

STATE OF TEXAS]

COUNTY OF TRAVIS]

This Developer's Contract is made and entered into by and between the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** a public and official agency of the State of Texas, P.O. Box 13941, Austin, Travis County, Texas 78711-3941, ("Department"), [redacted], a Texas nonprofit corporation, located at at 8610 N. New Braunfels, Suite 500 San Antonio TX 78217 ("HCS") or the ("Developer") hereinafter the ("Parties.") For and in consideration of the promises herein made, and the mutual benefits derived and to be derived, the parties hereto agree and by execution hereof are bound to the mutual obligations and to the performance and accomplishment of the tasks which are the substance of this Contract.

**RECITALS: SECTION 1**

WHEREAS, the Department has entered into a grant agreement with the U.S. Department of Housing and Urban Development ("HUD") on March 3, 2009, pursuant to which HUD will provide funds to the Department to make available to eligible awardees to assist in the redevelopment of abandoned and foreclosed homes under the NSP and

WHEREAS, HUD has advised the Department that it has eighteen (18) months from March 3, 2009, to obligate the NSP funds awarded to it, pursuant to the requirements of HERA and the NOTICE, both defined herein and

WHEREAS, the Department and HCS previously entered into that certain Texas Neighborhood Stabilization Program Contract No. 77090000152 dated to be effective as of September 1, 2009, as amended by an Amendment No. 1 thereto dated to be effective March 25, 2010 (collectively, the "Prior Contract");

WHEREAS, the Department must obligate its NSP funds by September 3, 2010, or must return non-obligated funds to HUD and

WHEREAS, the Department has entered into contracts with eligible units of local government and non-profits to obligate Texas NSP funds by the September 3, 2010, deadline and

WHEREAS, for the Department to meet the September 3, 2010, deadline, awardees that did not believe they could meet the deadline have given some or all of their awarded funds back to the Department and the Department has obligated those funds to entities that have met selection criteria and demonstrate an ability to expend NSP funds by September 3, 2010, such selection criteria including, among other things, the authority and ability for the entity to act in the capacity as this Developer's Contract requires and

WHEREAS, HUD has issued Guidance for Tracking and Reporting the Use of NSP Funds: Obligations for Specific Activities, which defines obligation and discusses obligations for Eligible NSP activities and

WHEREAS, HUD considers NSP funds to be obligated when: (1) the Department provides assistance to the Developer who has control of the Property, herein defined by obligating such funds through the execution of a contract such as the instant contract, (2) this Developer's Contract is executed by the parties herein, (3) the Developer has identified the Property to be acquired and/or rehabilitated, and (4) related costs for construction, acquisition, and appraisal fees have been identified and

WHEREAS, the Department and Developer wish to terminate the Prior Contract and replace it with this Developer Contract for purposes of satisfying the above referenced September 3, 2010 deadline; and

WHEREAS, this Developer's Contract is for acquisition and rehabilitation of the specific Property for which the Developer has control and for which related costs have been identified as set forth herein in Exhibit B; and

WHEREAS, the Department will work in good faith to accommodate the relationship between the Developer and HCS 501, LLC, a Texas limited liability company and wholly-owned subsidiary of Developer ("HCS 501"), with respect to the commitment of funds under this Contract and the carrying out of Developer's obligations hereunder, so long as the relationship between the Parties and HCS 501 is in compliance with HUD standards and the NSP rules.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and premises set forth herein, including the Recitals, which are contractual in nature, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Department and Developer, each intending to be legally bound, do hereby agree as follows:

## SECTION 2. CONTRACT PERIOD

This Contract shall commence on, September 3, 2010, and shall terminate on September 2, 2012, unless otherwise specifically provided by the terms of this Contract ("Contract Period").

## SECTION 3. DEVELOPER PERFORMANCE and OBLIGATIONS

A. General Compliance

Nothing in this Contract shall constitute a waiver of NSP Requirements

The Developer shall **acquire and rehabilitate a multifamily rental property activity** under the Neighborhood Stabilization Program ("NSP") in accordance with the Housing and Economic Recovery Act of 2008 ("HERA") (Pub. L. 110-289, 112 STAT. 2850); the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5); the NSP Federal Register Notice, ("Notice") [Docket No. FR-5255-N-01, FR-5255-N-02; FR-5321-N-03; and FR-5410-N-01] published in the Federal Register at 73 FR 58330; and the Texas NSP Program Requirements under the Notice of Funding Availability issued by TDHCA for the NSP issued in 2009 (NOFA) portions of which are attached hereto as Exhibit E and incorporated herein; and Chapter 2306 of the Texas Government Code.

The Developer agrees to perform all activities in accordance with the terms of the Scope of Work and Loan Commitment attached as Exhibit A; the Budget attached as Exhibit B; the Project Implementation Schedule attached as Exhibit C; the Applicable Laws and Regulations attached as Exhibit D; the Texas NSP Program Requirements attached as Exhibit E; the Certifications Regarding the Expenditures of Funds attached as Exhibit F; the Certification Regarding Lobbying For Contracts, Grants, Loan, and Cooperative Agreements attached as Exhibit G; the assurances, certifications, and all other statements made by the Developer in its application for the project funded under this Contract; and with all other terms, provisions, and requirements set forth in this Contract. The Developer shall ensure that the persons to benefit from the activities described herein are receiving the services or benefits promised herein before submitting a report regarding the completion of the project in a form prescribed by the Department ("Project Completion Report") to the Department. If the persons to benefit from the activities described herein are not receiving the services or benefits, the Developer is liable to repay to the Department any associated disallowed costs.

The Developer shall adhere to the Project Implementation Schedule timelines for key project activities as shown in Exhibit C. The Department may require the Developer to submit written justification for any Contract activity that is not completed by the end of the date specified on the schedule in Exhibit C within thirty days of failure to complete a Contract activity.

By entering into this Developer Contract, the Developer agrees that it is a non-profit corporation, duly organized, validly, existing, and in good standing under the laws of the State of their lawfully formed non-profit corporation, and has the power and authority to transact business in the state of Texas and that there are no provisions in the documents creating or controlling any of them which prohibit the execution and delivery of the Contract.

**SECTION 4. <u>ELIGIBLE and INELIGIBLE ACTIVITIES</u>**

The following activities will cause a Developer's application or contract to be ineligible. ("Applicant") includes directors, officers, and affiliates of the Developer.

1. The Applicant is an administrator or developer of a previously funded contract for which Department funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to application submission date; an exception may be made at the discretion of the Department if the deobligation was voluntary, part of project close-out or the remainder was completed on a subsequent contract;

2. The Applicant has failed, (within the reasonable time allotted for response), to submit a response to provide an explanation, evidence of corrective action or a payment of disallowed costs or fees as a result of a monitoring review;

3. The Applicant has failed to make timely payment or is delinquent on any loans or fee commitments made with the Department on the date of the Application submission;

4. The Applicant has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs or has otherwise been debarred by HUD or the Department;

5. The Applicant has violated the State laws regarding ethics, including revolving door policy;

6. The Applicant has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline;

7. The applicant at the time of application submission is subject to the following for which proceedings have become final:

8. The Applicant has an enforcement or disciplinary action under state or federal securities law or by the NASD;

9. The Applicant has a federal tax lien; or

10. The Applicant is the subject of an enforcement proceeding with any governmental entity.

The Applicant or anyone that has controlling (51%) ownership interest in the development owner or developer that is active in the ownership or control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the Land Use Restriction Agreement (LURA) (10 TAC §60.121); and

Any Application that includes financial participation by a Person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or Reconstruction efforts as a result of Hurricanes Rita or Katrina or any other disaster occurring after September 25, 2005, or was assessed a federal civil or administrative penalty in relation to such a contract.

**SECTION 5. <u>EQUAL EMPLOYMENT OPPORTUNITY</u>**

The Developer agrees to carry out an Equal Employment Opportunity Program in keeping with the principles as provided in President's Executive Order 11246 of September 24, 1965.

**SECTION 6. <u>EMPLOYMENT AND ECONOMIC OPPORTUNITIES UNDER SECTION 3</u>**

To the greatest extent possible, Texas NSP funds will be required to provide job opportunities to low-income residents and businesses. Recipients of Reporting of efforts and results on a quarterly basis are required. The Developer agrees to carry out a Section 3 program in accordance with the principles provided in, Housing and Urban Development Act of 1968, or more fully set forth in 24 CFR 135.

**SECTION 7. <u>DEPARTMENT OBLIGATIONS</u>**

A. <u>Measure of Liability</u>

In consideration of full and satisfactory performance of the activities referred to in Section 3, Developer Performance, of this Contract, the Department shall be liable for actual and reasonable costs incurred by the Developer during the Contract Period for performances rendered under this Contract by the Developer, subject to the limitations set forth in this Section 7.

1. The Department's obligations under this Section 7 are contingent upon the actual appropriation and receipt of adequate state or federal funds to meet Department's liabilities under this Contract. If adequate funds are not available to make payments under this Contract, Department shall notify the Developer in writing within a reasonable time after such fact is determined. Department shall terminate this Contract and will not be liable for failure to make payments to the Developer under this Contract.

2. The Department shall not be liable to the Developer for any costs incurred by the Developer, or any portion thereof, which has been paid to the Developer or is subject to payment to the Developer, or has been reimbursed to the Developer or is subject to reimbursement to the Developer by any source other than the Department or the Developer.

3. The Department shall not be liable to the Developer for any costs incurred by the Developer which are not allowable costs, as set forth in Section 9 of this Contract.

4. The Department shall not be liable to the Developer for any costs incurred by the Developer or for any performances rendered by the Developer which are not strictly in accordance with the terms of this Contract, including the referenced exhibits attached hereto and incorporated herein for all purposes.

5. The Department shall not be liable to the Developer for any costs incurred by the Developer in the performance of this Contract which have not been billed to the Department by the Developer within sixty (60) days following termination of this Contract unless otherwise provided for in a form provided by the Department, certifying that all costs charged to the project are final and correct ("Certificate of Expenditures."), or as otherwise provided in 7(B) below.

6. Except as otherwise provided in Section 9 hereof, the Department shall not be liable for costs incurred or performances rendered by the Developer before the effective date of this Contract or after termination of this Contract, unless the Developer receives written approval from the Department and they are specifically identified in Exhibit A, Scope of Work and Loan Commitment, and Exhibit B, Budget, of this Contract (including any amendments thereto, as may be necessary).

7. Expiration of Funds. The Department shall not be liable for any costs, whether or not funds were reserved, if otherwise eligible costs cannot be adequately supported and reimbursed prior to March 3, 2013.

B. Developers Fee

The Department shall not be liable for costs incurred and reserved on the Certificate of Expenditures if such costs are not billed to the Department within (90) ninety days after the Contract's termination date. An exception will be made for the reserved funds for the final 5% developer fee drawdown for programmatic closure. Audit funds reserved on the Certificate of Expenditures eligible for reimbursement under the provisions of Sections 15 and 26 of this Contract shall be billed to the Department within twelve months after the end of the Developer's fiscal year that follows the termination date of this Contract. The Department shall deobligate all reserved funds not requested under this subsection.

C. Excess Payments

The Developer shall refund to the Department any sum of money which has been paid to the Developer by the Department, which the Department determines has resulted in overpayment to the Developer, or which the Department determines has not been spent by the Developer strictly in accordance with the terms of this Contract. Such refund shall be made by the Developer to the Department within thirty (30) working days after such refund is requested by the Department.

D. Contract Amount

Notwithstanding any other provision of this Contract, the total of all payments and other obligations incurred by the Department under this Contract shall not exceed the sum of **TWO MILLION EIGHT HUNDRED TWELVE THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($2,812,500.00)**, plus the Developer Fee contemplated in Section 9 of this Contract.

## SECTION 8. LIMITATION OF FUNDS

1. The Department may develop and enforce additional contract management benchmarks to ensure the proportionate use of funds to meet the federal mandates regarding serving households earning not more than 50% of AMI, discounts on acquisitions and timely use of funds.

## SECTION 9. ADMINISTRATIVE and ACTIVITY DELIVERY/SOFT COSTS LIMITATIONS

1. The Developer will receive a development fee, in lieu of administrative costs, in the amount of $140,625.00, as set forth in Budget attached as Exhibit B to this Contract (the "Developer Fee"). The Developer Fee shall be in addition to the Contract Amount set forth in Section 7 (D) above. The award amount for the Developer Fee line item shall not exceed five percent (5%) of the contract amount for all activities. The Developer Fee does not include Activity delivery costs described below. The Developer must use funds for all developer fee costs in accordance with 24 CFR §§570.205 and 206, and Office of Management and Budget (OMB) Circulars, A-122, and A-110, as applicable. The Developer may expend up to 10% of the Developer Fee line item, before submitting specific project costs and may draw down developer funds proportionally thereafter.

2. For all activities, Activity Delivery costs must be reasonable and consistent with industry norms and will be restricted to a percentage of the non-administrative NSP costs per housing unit or property. The related Activity Delivery costs maximum shall be as set forth in Section 11 (5) below.

3. Activity Delivery costs for specific properties that are not ultimately acquired by the developer may not be reimbursed. Costs must be reasonable and consistent with industry norms, and may not exceed the maximum amount established for the related eligible activity.

4. Activity Delivery costs may not exceed the forgoing limits without prior written approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or cost categories not identified in herein.

5. Developer must certify that the amount being disbursed is for the actual amount of costs, including Activity Delivery costs, and must provide documentation to support such costs.

6. Eligible Costs are limited to those listed in §570, Subpart C, or as otherwise identified in the NSP *Federal Register* Notice. No duplicate disbursement of costs is allowed. Additionally, costs may only be disbursed once per occurrence when providing both acquisition and construction assistance to the same Project or Activity

7. Department-authorized pre-award costs for predevelopment activities, including but not limited to legal, architectural, engineering, appraisal, surveying, environmental, and market study fees, may be reimbursed if incurred before the effective date of the Contract so long as the costs are in accordance with 24 CFR §§570.205 and 206 and 24 CFR Part 58 and at the sole discretion of the Department and the Budget attached hereto as Exhibit B.

8. Notwithstanding Section 9, the Developer shall be allowed, upon written approval of the Department, to incur costs in addition to those set forth in Section 9 (7) prior to the effective date of this Contract specified in Section 2. Such costs may only be incurred for activities

described in Exhibit A, Scope of Work and Loan Commitment, provided that these activities meet the requirements of 24 C.F.R. Part 570, Subpart I and 24 C.F.R. Part 58.

**SECTION 10. METHOD OF PAYMENT/ DISBURSEMENT OF FUNDS**

A. The Developer shall submit to the Department in Travis County, Texas, a properly completed electronic request for funds and support documentation as required and as specified by Department as often as actually needed. The Department shall determine the reasonableness of each amount requested and shall not make disbursement of any such payment until the Department has reviewed and approved such request. If available, the Developer agrees to attend Implementation Training prior to the disbursement of any funds under this contract and prior to the closing of any loan.

B. The Texas NSP is a reimbursement-based program; however, the Developer may make a request, in writing, for the advancement of funds due to extenuating circumstances. Any advancement request is subject to the approval of the Department and shall be limited to the minimum amounts needed for effective operation of programs under this Contract, and shall be timed as closely as possible to be in accord with actual cash requirements. The Developer shall establish procedures to minimize the time elapsing between the transfer of funds from the Department to the Developer and shall ensure that such funds are disbursed as soon as administratively possible.

C. Notwithstanding the provisions of Section 10 (A) of this Contract, it is expressly understood and agreed by the parties that payments under this Contract are contingent upon the Developer's full and satisfactory performance of its obligations under this Contract.

D. It is expressly understood and agreed by the parties that any right or remedy provided for in this Section 10 or in any other provision of this Contract shall not preclude the exercise of any other right or remedy under this Contract or under any provision of law, nor shall any action taken in the exercise of any right or remedy be deemed a waiver of any other rights or remedies. Failure to exercise any right or remedy shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.

E. Department reserves the right to recapture funds provided under this Contract in the event Department determines that Developer will be unable to expend all funds awarded within the Contract Period and development period defined in this Contract and attached Exhibits. Developer acknowledges that in the event Developer is unable to perform in accordance with the terms of this Contract, including the terms of Exhibit, A, Exhibit B, Exhibit C, Exhibit D, and Exhibit E, of the Contract or the Loan Documents, Department shall terminate this Contract and Developer agrees that it shall be conclusively deemed to have surrendered Developer's rights to any remaining funds.

F. The Department shall not release any funds for any costs incurred by the Developer under this Contract until the Department has received a copy of the Developer's previous fiscal year audit report or certification from the Developer that its fiscal control and fund accounting procedures are adequate to assure the proper disbursal of and accounting for funds provided under this Contract. The Department shall specify the content and form of such certification.

G. The Department shall not be liable to the Developer for any costs incurred by the Developer under this Contract until the Department receives a properly completed Depository/Authorized Signators Form, as specified by the Department, from the Developer.

**SECTION 11. NSP ELIGIBLE USE of PURCHASE AND REHABILITATION OF FORECLOSED PROPERTIES**

1. The acquisition and rehabilitation of foreclosed and abandoned and multifamily residential properties will be funded through a deferred-payable two (2) year loan with the Department. Properties must be sold or leased to eligible Low- Moderate- and Middle-Income Household within 12 months of completion of rehabilitation.

2. The purchase and rehabilitation of abandoned property may be funded if foreclosure proceedings have been initiated or if the property has been vacant for at least 90 days and no payments have been made on the mortgage or taxes for at least 90 days.

3. Rehabilitated residential property must result in permanent housing.

4. Rehabilitation includes activities and related costs as described in 24 CFR §570.202(b), but limited to the improvement or modification of an existing residential property through an alteration, addition, or enhancement including the demolition of an existing residential property and the reconstruction (rebuilding of a structure on the same site in substantially the same manner) of residential property.

5. Activity Delivery Cost Limits: Activity Delivery costs for acquisition will be limited to 15% of the NSP non-developer fee costs per housing unit or property. Rehabilitation will be limited to 20% of the NSP non-developer fee costs per housing unit or property. At the discretion of the Department, activity delivery costs exceeding per unit limits may be spread out among the portfolio of properties as long as the activity delivery costs do not exceed the respective percentages for the Eligible Use Budget line items.

**SECTION 12. <u>FINANCING MECHANISMS FOR MULTIFAMILY RENTAL PROPERTY FINANCING UNDER NSP</u>**

1. The acquisition of foreclosed multifamily residential properties to create affordable rental opportunities may be funded through a permanent loan with the Department. Financing terms will be dependent on the level of affordability provided.

2. Units leased to households at or below 50% of the Area Median Income will be eligible for financing for up to a 30-year amortizing loan at zero percent (0%) interest through the Department, for eligible units.

3. Units leased to households at or below 30% of the Area Median Income in multi-family properties will be eligible for a 30-year zero percent (0%) interest, deferred-payment forgivable loan, with the principal reducing every year that the unit is occupied by an eligible household. No more than fifty percent (50%) of the NSP permanently financed units in a project may receive deferred-forgivable financing.

4. At least 20% of the units in an assisted development must be leased to households at or below 120% of the Area Median Income in order for any units to eligible for NSP permanent financing, regardless of affordability. Units leased to households over 50% of the Area Median Income are not eligible for permanent NSP financing.

5. Eligible property types are limited to single-family homes and residential property including condominium units, cooperative units in mutual housing projects and multifamily residential property.

6. The Department's underwriting guidelines in 10 TAC §1.32 will be used, which set as a feasibility criterion a 1.15 debt coverage ratio minimum.

7. Properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, prohibit the discrimination of renters using Section 8 Housing Choice Vouchers or other tenant-based subsidy programs, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

8. Minimum affordability period requirements will apply to all NSP assisted units. The affordability period for NSP financed affordable units will be a minimum of 30 years.

9. When Department funds will have a first lien position and funds are used for new construction and/or rehabilitation, assurance of completion of the development in the form of payment and performance bonds in the full amount of the construction contract will be required. Such assurance of completion will run to the Department as obligee and must be documented in a manner acceptable to the Department and its counsel prior to closing.

10. If applicable, the Developer shall submit to the Department documentation acceptable to the Department and its counsel (e.g., a certified resolution) of its local funding commitment of "FundingCommitment" for completion of the project funded under this Contract prior to the Department's release of project funds for such project..

## SECTION 13. <u>UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, PROGRAM INCOME, REVENUE, and INSURANCE</u>

A. Except as specifically modified by law or the provisions of this Contract, the Developer shall comply with the Regulations in Exhibit D and, for matters not addressed therein, with 24 C.F.R. Part 84, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Nonprofit Organizations" (referred to as the "Common Rule") in performing this Contract. The allowability of costs incurred for performances rendered shall be determined in accordance with Department of Management and Budget (OMB) Circular A-122, as supplemented by this Contract.

B. During the affordability period as stated herein, the Developer may not retain program income (as defined at 24 CFR 570.500 (a) (1) not including (iii) and (iv) or the exclusions found at (a)(4), of any kind, however derived, under this contract, including the retention of program income to fund other eligible Texas NSP activities. Program Income received by a private individual, developer or other entity must also be returned to the Department. Developer shall comply with the requirements of 24 C.F.R. 570.489(e) to account for program income, repayments, and recaptured funds related to activities financed in whole or in part with funds provided under this contract. The Developer shall provide reports of program income as requested by Department. Program income derived under this contract must be submitted to Department within seven (7) business days of receipt. Notwithstanding any provision in this section, no private individual, developer, or other entity will be unduly enriched by revenue generated with NSP funds.

C. Insurance. Developer shall provide Department with certificates of insurance evidencing Developer's current and effective insurance coverage. Developer agrees to notify the Department promptly upon receipt of notification of the termination, cancellation, expiration, or modification of any required insurance coverage or policy endorsements. Developer agrees to suspend the performance of all work performed under this contract until the Developer satisfies the required coverage requirements, obtains the required policy endorsements and delivers to Department certificates of insurance evidencing that such coverage and policy endorsements are current and effective, and receives notification from Department that the performance of work under this contract may recommence, which shall be delivered promptly following the Department's receipt of foregoing items.

**SECTION 14. RETENTION AND ACCESSIBILITY OF RECORDS**

A. The Developer shall maintain fiscal records and supporting documentation for all expenditures of funds made under this Contract in a manner which conforms to A-122, 24 CFR Section 570.490 of the Regulations in Exhibit D, and this Contract. The Developer shall retain such records, and any supporting documentation, for the greater of: (i) three years after close-out of the HUD grant to the state of Texas (not the closeout of this Contract); (ii) if notified by the Department in writing, the date that the final audit is accepted with all audit issues resolved to the Department's satisfaction, or (iii) a date consistent with the period required by other applicable laws and regulations as described in 24 CFR 570.487 and 570.488. Such records shall include but not be limited to:

1. Records providing a full description of each activity undertaken;

2. Records demonstrating that each activity undertaken benefits low, moderate, or middle income persons;

3. Records required documenting the purchase and sale amounts of the property, discounts, and the sources and uses of funds for each activity;

4. Records documenting compliance with the fair housing and equal opportunity requirements of the NSP program, including but not limited to the racial, ethic, and gender characteristics of persons who are applicants for, participants in, or beneficiaries of the program;

5. Records documenting efforts to ensure that any initial successor in interest has complied with the applicable tenant protection requirements under the Protecting Tenants at Foreclosure Act of 2009 (Pub. L. 111-22). In addition, records documenting efforts to ensure compliance with Section 1497 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Recover, Pub. L. 111-203), as applicable.

6. Other records necessary to document compliance with Subpart K of 24 CFR 570.487

B. Records of individual tenant income verifications, project rents and project inspections must be retained for the most recent five (5) year period, until five (5) years after the affordability period terminates.

C. The Developer shall give the United States Department of Housing and Urban Development, the Inspector General, the General Accounting Department, the Auditor of the State of Texas, any department or agency of the State of Texas, and the Department, or any of their duly authorized representatives, access to and the right to examine all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by the Developer pertaining to this Contract. Such rights to access shall continue as long as the records are retained by the Developer. The Developer agrees to maintain such records in an accessible location and to provide citizens reasonable access to such records consistent with the Texas Public Information Act.

D. The Developer shall include the substance of this Section (14) in all subcontracts.

**SECTION 15. REPORTING REQUIREMENTS**

A. The Developer shall submit to the Department such reports on the operation and performance of this Contract as may be required by the Department including but not limited to the reports specified in Section 14.

B. The Developer shall submit to the Department no later than the tenth day of the month after the end of each calendar month of the Contract Period specified in Section 2, a Monthly Progress Report of the progress, in a format prescribed by the Department, of all activities performed pursuant to Exhibit A, Scope of Work and Loan Commitment, and of the expenditures and obligations of funds by budget category made pursuant to Exhibit B, Budget, of this Contract. Monthly reports are due until one hundred percent (100%) of Contract funds are expended for specific Texas NSP activities.

C. The Developer shall submit a Certificate of Expenditures to the Department no later than sixty (60) days after the Contract termination date or at the conclusion of all Contract activities as determined by the Department, whichever is later. The Certificate of Expenditures shall be in a format prescribed by the Department and shall be accompanied by a final Project Completion Report of all activities performed under this Contract.

D. In addition to the limitations on liability otherwise specified in this Contract, it is expressly understood and agreed by the parties that if the Developer fails to submit to the Department in a timely and satisfactory manner any report required by this Contract, the Department may, at its sole option and in its sole discretion, withhold any or all payments otherwise due or requested by the Developer. If the Department withholds such payments, it shall notify the Developer in writing of its decision and the reasons for this action and the time period in which Developer must bring itself into compliance. Payments withheld pursuant to this paragraph may be held by the Department until such time as the delinquent obligations for which funds are withheld are fulfilled by the Developer.

E. The Developer is required to promptly report to the Department upon becoming aware of any incident of misapplication of NSP funds associated with this Contract.

## SECTION 16. MONITORING

The Department reserves the right to perform periodic desk reviews and on-site monitoring of the Developer's compliance with the terms and conditions of this Contract, and of the adequacy and timeliness of the Developer's performances under this Contract. After each monitoring visit, the Department shall provide the Developer with a written report of the monitor's findings. If the monitoring reports note deficiencies in the Developer's performances under the terms of this Contract, the monitoring report shall include requirements for the timely correction of such deficiencies by the Developer. Failure by the Developer to take action specified in the monitoring report may be cause for suspension or termination of this Contract, as provided in Sections 24 and 25 of this Contract.

## SECTION 17. INDEPENDENT CONTRACTOR

**IT IS EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT THE DEPARTMENT IS CONTRACTING WITH THE DEVELOPER AS AN INDEPENDENT CONTRACTOR, AND THAT THE DEVELOPER, AS SUCH, AGREES TO THE EXTENT ALLOWED BY LAW TO HOLD THE DEPARTMENT HARMLESS AND TO INDEMNIFY THE DEPARTMENT FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, AND CAUSES OF ACTION OF EVERY KIND AND CHARACTER WHICH MAY BE ASSERTED BY ANY THIRD PARTY OCCURRING OR IN ANY WAY INCIDENT TO, ARISING OUT OF, OR IN CONNECTION WITH THE SERVICES TO BE PERFORMED BY THE DEVELOPER UNDER THIS CONTRACT, EXCEPT ANY CLAIMS, DEMANDS, OR CAUSES OF ACTION ARISING FROM THE DEPARTMENT'S OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE DEVELOPER SHALL AT ALL TIMES REMAIN AN INDEPENDENT CONTRACTOR WITH RESPECT TO THE SERVICES TO BE PERFORMED UNDER THIS AGREEMENT. THE DEPARTMENT SHALL BE EXEMPT FROM PAYMENT OF ALL**

UNEMPLOYMENT COMPENSATION, FICA, RETIREMENT, LIFE AND/OR MEDICAL INSURANCE AND WORKERS' COMPENSATION INSURANCE, AS THE DEVELOPER IS AN INDEPENDENT CONTRACTOR. DEVELOPER REPRESENTS, WARRANTS, AND COVENANTS THAT IT WILL FULLY AND TIMELY DISCHARGE ALL LEGAL AND FINANCIAL RESPONSIBILITIES WITH RESPECT TO ITS OPERATION AND THE DEPARTMENT SHALL HAVE NO LIABILITY OR RESPONSIBILITY WITH RESPECT THERETO.

## SECTION 18. SUBCONTRACTS

A. Except for subcontracts to which the federal labor standards requirements apply, the Developer may subcontract for performances described in this Contract without obtaining the Department's prior written approval. The Developer shall only subcontract for performances described in this Contract to which the federal labor standards requirements apply after the Developer has submitted a Subcontractor Eligibility form, as specified by the Department, for each such proposed subcontract, and the Developer has obtained the Department's prior written approval, based on the information submitted, of the Developer's intent to enter into such proposed subcontract. The Developer, in subcontracting for any performances described in this Contract, expressly agrees that in entering into such subcontracts, the Department is in no way liable to the Developer's subcontractors.

B. In no event shall any provision of this Section 18, specifically the requirement that the Developer obtain the Department's prior written approval of subcontractor eligibility, be construed as relieving the Developer of the responsibility for ensuring that the performances rendered under all subcontracts are rendered so as to comply with all of the terms of this Contract, as if such performances rendered were rendered by the Developer. The Department's approval under Section 18 does not constitute adoption, ratification, or acceptance of the Developer's or subcontractor's performance. The Department maintains the right to insist upon the Developer's full compliance with the terms of this Contract, and by the act of approval under Section 18, the Department does not waive any right of action which may exist or which may subsequently accrue to the Department under this Contract.

C. The Developer shall comply with 24 CFR Section 84, this Contract and all applicable federal, state and local laws, regulations, and ordinances for making procurements under this Contract.

D. The Developer shall maintain a construction retainage, pursuant to the Texas Property Code Sec. 53.101, in the amount of ten percent (10%) of each construction or rehabilitation subcontract entered into by the Developer until the Department determines that the Federal labor standards requirements applicable to each such subcontract have been satisfied and a final construction inspection has been completed by the Department.

## SECTION 19. CONFLICT OF INTEREST

A. It is the responsibility of the Developer to comply with all applicable laws, rules, regulations, ordinances, and other legal requirements regarding <u>prohibited acts including, but not limited to,</u> conflicts of interest and nepotism. In that regard the Developer is required to have in place and at all times follow <u>written</u> policies to ensure such compliance and to avoid prohibited acts or the appearance thereof. If an actual or suspected prohibited act or the appearance thereof occurs or is alleged, Developer shall promptly identify same, review the matter with its counsel, and advise the Department (i) what, factually, occurred, (ii) was there any violation of legal requirements or policy, and (iii) if there was a violation, what will be the corrective action to address that matter and prevent any recurrences.

B. The Developer shall ensure that no employee, director, or agent of the Developer shall participate in the selection, or in the award or administration of a subcontract supported by funds provided if a conflict of interest, real or apparent, would be involved. Such conflict of interest would arise when: 1) The employee, director, or agent; 2) any member of his or her immediate family; 3) his or her partner;

or, 4) any organization which employs, or is about to employ any of the above, has a financial or other interest in the firm or person selected to perform the subcontract.

C. The Developer shall comply with and 24 C.F.R. 570.489(h) of the federal regulations.

D.. In all cases not governed by Subsection (B) of this Section, no persons specified in subsection (C) of this Section who exercise or have exercised any functions or responsibilities with respect to the activities assisted under this Contract or any other NSP contract or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest or benefit from the activity, or have any interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter.

D. The conflict of interest provisions of Subsection (B) and (C) apply to any person who is an employee, agent, consultant, or director, of the Developer or of a subcontractor of the Developer.

E. The Developer shall include the substance of this section in all subcontracts and ensure that the same is included in all downstream subcontracts.

**SECTION 20. NONDISCRIMINATION, RELIGIOUS ACTIVITY, AND FAITH-BASED ORGANIZATIONS**

A. The Developer shall ensure that no person shall on the ground of race, color, national origin, religion, sex, family composition, age, or disability be excluded from participation in, be denied the benefits of, or be subjected to discrimination under or be denied access to any program or activity funded in whole or in part with funds made available under this Contract.

B. Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in this program and activities funded under this Contract. The Developer receiving funds under this Contract shall not discriminate against an organization on the basis of the organization's religious character or affiliation. None of the performances rendered by the Developer under this Contract shall involve, nor shall any portion of the funds received by the Developer under this Contract, be used to engage in inherently religious activities. Funds made available under this Contract may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. Funds made available under this Contract may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities. Where a structure is used for both eligible and inherently religious activities, funds made available under this Contract may not exceed the cost of those portions of the acquisition, construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to funds provided under this Contract. The Developer shall comply with the regulations promulgated by the U.S. Department of Housing and Urban Development on faith-based activities at 24 CFR Sec. 570.200(j).

C. The Developer shall select eligible tenants for available units from a written waiting list in chronological order of their application, insofar as it is practical, and without regard as to disability, religion, race, color, family composition, national origin or sex or whether such Eligible Tenants are holders of a rental voucher under 24 Part 982 of the Code of Federal Regulations (Section 8 Tenant Based Assistance: Housing Choice Voucher Program) or holders of a comparable document evidencing participation in a tenant-based rental assistance program and without regard as to whether such Eligible Tenant receives or relies on any other rent-based assistance or other assistance from any state or federal program.

D. Developer shall follow "Nondiscrimination and Equal Opportunity in Housing under Executive Order 11063". The failure or refusal of the Developer to comply with the requirements of Executive Order 11063 or 24 C.F.R. Part 107 shall be a proper basis for the imposition of sanctions specified in 24 C.F.R. 107.60.

**SECTION 21. LEGAL AUTHORITY**

A. The Developer represents and warrants to the Department that the Developer possesses the legal authority to enter into, execute, deliver, and perform this Contract, receive funds authorized by this Contract, and to perform the services the Developer has obligated itself to perform and that the same will not violate, contravene, or constitute a default under any of Developer's constitutive documents or any requirement or obligation to which Developer is subject.

B. The person or persons signing and executing this Contract on behalf of the Developer, or representing themselves as signing and executing this Contract on behalf of the Developer, do hereby warrant and confirm that he, she or they have been duly authorized by the Developer to execute this Contract on behalf of the Developer and to validly and legally bind the Developer to all terms, performances, and provisions set forth.

C. The Department shall have the right to suspend or terminate this Contract if there is a dispute as to the legal authority of either the Developer or the person signing this Contract on behalf of the Developer to enter into this Contract or to render performances. The Developer is liable to the Department for any money it has received from the Department for performance of the provisions of this Contract, if the Department has terminated this Contract for reasons enumerated in, and in accordance with, this Section 21.

D. When executed, this Contract will represent the legal, valid, and binding obligation of Developer, enforceable in accordance with its terms except as the same may be altered or affected by the application of the laws of bankruptcy.

**SECTION 22. LITIGATION AND CLAIMS**

The Developer shall give the Department immediate notice in writing of 1) any action, including any proceeding before an administrative agency, filed against the Developer in conjunction with this Contract; and 2) any claim against the Developer, the cost and expense of which the Developer may be entitled to be reimbursed by the Department. Except as otherwise directed by the Department, the Developer shall furnish immediately to the Department copies of all pertinent papers received by the Developer with respect to such action or claim. The Developer shall provide a notice to the Department within 30 days upon filing under any bankruptcy or financial insolvency provision of law.

The Developer represents and warrants that there are no pending or threatened claims against Developer or any person affiliated with Developer except as have been disclosed to Department in writing.

**SECTION 23. CHANGES,AMENDMENTS, NOTICE, and OPPORTUNITY TO CURE**

A. Except as specifically provided otherwise in this Contract, any alterations, additions, or deletions to the terms of this Contract shall be by amendment in writing and executed by both parties to this Contract on a form provided by the Department.

B. It is understood and agreed by the parties that performances under this Contract must be rendered in accordance with HERA, applicable Texas statutes, the applicable rules of the Department, assurances and certifications made to the Department by the Developer relating to this Contract, and the assurances and certifications made to the United States Department of Housing and Urban Development by the State of Texas with regard to the operation of the NSP Program. The Department may from time to time during the period of performance of this Contract issue guidance statements which serve to interpret or clarify the Department's position on performance requirements under this Contract.

C. In the event relevant federal or state law changes during the term of this Contract, Developer agrees to negotiate in good faith with the Department to amend the affected terms of this Contract to conform to the new law.

D. Notwithstanding Subsection A of this Section 23, the Developer may make transfers of funds between or among budget categories of Exhibit B, Budget, without requiring an amendment to this Contract, or otherwise requiring the Department's prior written approval provided that:

1. The cumulative dollar amount of all transfers among direct budget categories is equal to or less than ten percent (10%) of the total amount of this Contract as specified in Section 7 (D);

2. The transfer will not change the scope or objective of the projects funded under this Contract; and

3. The Developer submits a budget revision report to the Department, on a form specified by the Department, simultaneously with the submission of the Developer's first request for payment following any such transfers made in accordance with this Subsection D.

E. Any proposed amendments to the terms of the Contract shall be submitted in writing to the Department. Amendments reducing beneficiaries or activities, due to extenuating or unforeseeable circumstances, may be allowed as approved by the Executive Director. The Executive Director of the Department at his discretion and in coordination with the Developer, may increase a contract budget amount by no more than 25% of the current award, or increase the number of activities or beneficiaries based on the availability of Texas NSP funds, the performance in the implementation of a Developer's current contract, and available time.

F. Method of Notice

1. Except as otherwise specifically provided herein, all notices, demands or other communications hereunder shall be in writing and shall be deemed to have been given

i. five (5) business days after being deposited in the United States mail and sent by certified or registered mail, postage prepaid,
ii. one (1) business day after being delivered to a nationally recognized overnight delivery service,
iii. on the day sent by telecopier or other facsimile transmission, answerback requested, or
iv. on the day delivered personally.

2. In each case, written notices will be delivered to the Parties at the addresses set forth in this Contract or at such other addresses as such parties may designate by notice to the Department at the address stated herein.

G. Notice

1. The Department shall provide the Developer with written notice in accordance with this Section 23 of any recapture event or other termination or suspension event under this Contract or any circumstances which, with the passage of time, would give rise to a recapture or suspension or termination event under this Contract (collectively, the "Events of Default" and each an "Event of Default"), of which the Department shall become aware.

2. The failure of the Department to provide notice as herein required shall not relieve the Developer of any obligation under this Contract nor shall it serve to relieve the Developer of any of the

consequences of an Event of Default if Developer fails to cure such Event of Default in accordance with subsection H below.

H. Right to Cure

1. Notwithstanding anything to the contrary set forth in this Contract and/or any of the other NSP Loan Documents, the Developer shall have the right to cure an Event of Default within a reasonable period of time after the Developer has received notice of the circumstances giving rise to such Event of Default or after the Developer would have become aware of the circumstances giving rise to such Event of Default had the Developer exercised reasonable diligence with respect thereto. The Department, acting in good faith and with reasonable judgment, shall have the right to determine what constitutes "a reasonable period of time" and whether a cure has been properly and timely effected for purposes of this Section 23, except to the extent that such determinations are governed by or otherwise prescribed or limited by NSP requirements.

2. Any cure made or tendered by any subcontractor or other entity that is receiving NSP funds, although not directly from the Department, shall be accepted or rejected on the same basis as a cure made directly by the Developer, to the extent consistent with NSP Requirements

**SECTION 24. SUSPENSION**

Notwithstanding the provisions of TEX. GOV'T. CODE ANN. Chapter 2251, in the event the Developer fails to comply with any term of this Contract, the Department may, upon written notification to the Developer, suspend this Contract in whole or in part and withhold further payments to the Developer, and prohibit the Developer from incurring additional obligations of funds under this Contract until the Developer provides evidence of compliance with the Contract reasonably satisfactory to the Department. Developer acknowledges that it does not have a right to suspension as a pre-requisite to the exercise of Department's rights under Section 25, below.

**SECTION 25. TERMINATION**

A. The Department shall have the right to terminate this Contract at any time before the date of completion specified in Section 2 of this Contract whenever the Department determines that the Developer has failed to comply with any term of this Contract. The Department shall notify the Developer in writing no later than the thirtieth (30th) day preceding the date of termination of the reasons for such termination and the effective date of such termination.

B. Either of the parties to this Contract shall have the right to terminate this Contract when (i) both parties agree that the continuation of the activities funded under this Contract would not produce beneficial results commensurate with the further expenditure of funds or the parties are unable, reasonably, and in good faith to agree on the specific terms for the implementation of the loan contemplated in Exhibit A hereto; provided that both parties agree, in writing, upon the termination conditions, including the effective date of such termination.

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C. Upon termination or receipt of notice to terminate, whichever occurs first, the Developer shall cancel, withdraw, or otherwise terminate any outstanding orders or subcontracts related to the performance of this Contract or the part of this Contract to be terminated and shall cease to incur costs thereunder. The Department shall not be liable to the Developer for costs incurred by Developer after termination or receipt of notice to terminate.

D. Notwithstanding any exercise by the Department of its right of suspension under Section 24 of this Contract, or of early termination pursuant to this Section 25, the Developer shall not be relieved of any liability to the Department for damages due to the Department by virtue of any breach of this Contract by the Developer. The Department may withhold payments to the Developer until such time as the exact amount of damages due to the Department from the Developer is agreed upon or is otherwise determined.

## SECTION 26. AUDIT

A. The Developer shall arrange for the performance of an annual financial and compliance audit of funds received and performances rendered under this Contract, subject to the following conditions and limitations:

1. (a) Audit Required-Federal Awards. Contracts expending $500,000 or more in Federal financial assistance for any fiscal year, beginning with fiscal years ending January 31, 2004 and after, shall have a single audit conducted in accordance with the Single Audit Act Amendments of 1996, 31 U.S.C. 7501, and OMB Circular No. A-133 - Revised as of June 27, 2003, "Audits of States, Local Governments, and Non-Profit Organizations." Alternatively, the Department may require a program specific audit for certain situations and when the Single Audit Act does not apply. For purposes of this Section 26, "Federal financial assistance" means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals as described in OMB Circular A-133 §__.205 (h) and §__205 (i). The term includes awards of Federal financial assistance received directly from Federal agencies, or indirectly through other units of State and local government.

   (b) Audit Required-State Financial Assistance. Contracts that expended $500,000 or more in total State Financial Assistance for any fiscal year, beginning with fiscal years ending January 31, 2004 and after, shall have a single or program specific audit conducted for that year in accordance with provisions of the State of Texas Single Audit Circular and the Uniform Grant Management Standards (UGMS) as adopted June 2004. For purposes of this Section 26, "State Financial Assistance" (or cost reimbursement Contract) means assistance that non-state entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, and other assistance, but does not include amounts received as an reimbursement for services rendered to individuals as described in sec. ___.205 (f). "State Financial Assistance" (or cost reimbursement Contract) is received directly from state awarding agencies or indirectly from pass-through entities under a federal block grant. State financial assistance also does not include federal awards as defined by OMB Circular A-133.

2. Audit Expenses. Notwithstanding Section 3, the Developer shall utilize funds budgeted under this Contract to pay for that portion of the cost of such audit services properly allocable to the activities funded by the Department under this Contract, provided however that the Department shall not make payment for the cost of such audit services until the Department has received a satisfactory audit report and invoice, as determined by the Department, from the Developer; the invoice submitted for reimbursement should clearly show the percentage of cost relative to the total single audit cost of the audit services. Therefore, when submitting a request for audit fees reimbursement, the Developer shall submit an invoice that clearly shows the total cost of the audit and the corresponding prorated charge per funding source. In addition, when applicable, an explanation shall be submitted with the reimbursement request supporting why the percentage of audit fee charges exceeds the percentage amount of NSP funds expended of the total funds expended by the Developer.

3. The Developer shall submit one (1) copy of the report of such audit to the Department within thirty (30) days after the completion of the audit, but no later than nine (9) months after the end of the Developer's audit period (i.e., after the Developer's fiscal year end). The Developer shall ensure that the audit report is made available for public inspection within thirty (30) days after

completion of the audit. Audits performed under Subsection A of this Section 26 are subject to review and resolution by the Department or its authorized representative. The Developer shall ensure that either in the report or as part of the cover letter, the submitted Audit Report has auditor and Developer contact information, including contact person, mailing address, telephone, fax number and e-mail address. The Developer shall ensure the Audit Report submitted also includes the submission of the CPA Management Letter if a Management Letter was issued to the Developer by its CPA firm. Failure by the Developer to submit a completed single audit package as described in the audit requirements by the required due date could affect funding for all existing Contracts, eligibility to apply under the NSP Program, and the issuance of new Contracts for funding awards.

4. Notwithstanding the requirements after paragraphs "A-1 through 3" of this Section 26, the Developer shall submit within 60 days after its fiscal year end an Audit Certification Form (ACF) or a similar statement. The ACF or statement will include information indicating if the Developer has or has not met the $500,000 expenditure threshold that will require a Single Audit Report in accordance with the Uniform Grant Management Standards, Subpart C-Post Award Requirements, Section _.26 Audit, item (d). If the Developer did not exceed the threshold, the Developer shall include with the ACF or statement, a list of all open Department Contracts providing financial assistance and the corresponding activity. Failure by the Developer to submit an ACF or a similar statement or failure to submit a completed single audit package as described in the audit requirements by the required due date could affect funding for all existing Contracts, eligibility to apply under the NSP, and the issuance of new Contracts for funding awards.

5. Chapter 2105, Texas Government Code, requires that this program be included under the provisions of the Uniform Grant and Contract Management Standards." The Uniform Grant and Contract Management Standards (UGMS) (D) sec.___.400 requires "Recipients who are required to have a single audit and receive state or federal awards for more than one state agency shall have a state single audit coordinating agency. The Governor's office shall designate a state single audit coordinating agency based upon the state awarding agency that provides the predominant amount of direct funding to a recipient and other factors, as appropriate, to ensure equitable and manageable workloads." Further, it is the Developer's responsibility to make this request to the Governor's office pursuant to Title 1, Texas Administrative Code §5.167(c)(2), "To have a state single audit coordinating agency designated a recipient must submit a written request to the Governor's Budget and Planning Department, P.O. Box 12428, Austin, Texas 78711. This request must list the state agencies providing financial assistance with the grant amounts for the year to be audited and indicate that the governing body has authorized the initiation of the single audit."

B. Notwithstanding Subsection A of this Section 26, the Department reserves the right to conduct an annual financial and compliance review of funds received and performances rendered under this Contract. The Developer agrees to permit the Department or its authorized representative to audit the Developer's records and to obtain any documents, materials, or information necessary to facilitate such review.

C. The Developer understands and agrees that it shall be liable to the Department for any costs that are determined to ineligible under the terms of this Contract pursuant to financial and compliance audit(s) of funds received under this Contract. The Developer further understands and agrees that reimbursement to the Department of such ineligible costs shall be paid by the Developer from funds which were not provided or otherwise made available to the Developer under this Contract.

D. The Developer shall take such action to facilitate the performance of such audit or audits conducted pursuant to this Section 26 as the Department may require of the Developer. Developer shall establish written standard operating procedures and internal controls to include the timely procurement of a CPA firm to start and complete the year end single audit report if applicable, in order to comply with contractual and regulatory requirements. After the annual due date for the audit report(s) set forth in this Section 26, the Department shall not release any further funds for any costs incurred by the Developer under this Contract until the Department has received a copy of such audit report(s) required by this Section 26.

E. The Developer shall be responsible for procuring the audit services required hereunder. The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report to the auditee. Audit working papers shall be made available upon request to the Department at the completion of the audit, as a part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this part. Access to working papers includes the right to obtain copies of working papers, as is reasonable and necessary.

F. Developer understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office, or any successor agency, to conduct an audit or investigation in connection with those funds. Developer further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested. Developer will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Developer and the requirement to cooperate is included in any subcontract it awards.

**SECTION 27. <u>REHABILITATION STANDARDS of MULTIFAMILY RENTAL HOUSING</u>**

A. Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing. When NSP funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR §92.251(a)(1).

B. Rehabilitated multifamily rental housing must meet all applicable local building codes, rehabilitation standards and zoning ordinances at the time of project completion. In the absence of local codes for rehabilitation, the structure must meet one of three model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI) or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) as described in 24 CFR §200.925 or §200.926.

1. Pursuant to 24 CFR §92.251 and adopted by Texas NSP, housing that is constructed or rehabilitated with NSP funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, NSP-assisted new construction or rehabilitation must meet, as applicable, one of three model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR §200.925 or §200.926. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a NSP-assisted property, a developer may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

2. Any Development proposing New Construction or Reconstruction and located within the one-hundred (100) year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the

one-hundred (100) year floodplain. Subject to Section 29 (D) of this Contract or unless otherwise approved by HUD and/or the Department in connection with the environmental clearance for the Project pursuant to Section 29, no buildings or roads that are part of a Development proposing Rehabilitation or Adaptive Reuse, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the one-hundred (100) year floodplain unless they already meet the requirements established in this subsection for New Construction, or if the local political subdivision has undertaken mitigation efforts and can establish that the property is no longer within the one-hundred (100) year floodplain.

3. All other NSP-assisted housing must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401.

D. The Developer shall provide a copy of its proposed rehabilitation program guidelines for the Department review and approval prior to the selection of program recipients and prior to the Department's release of funds for such activities. The Developer's rehabilitation assistance program guidelines must include provisions for compliance with Section 31 of the Federal Fire Prevention and Control Act of 1974 (which requires that any housing unit rehabilitated with the Department funds be protected by a hard-wired or battery-operated smoke detector) and provisions for compliance with the 24 C.F.R. 33 (HUD lead-based paint regulation).

**SECTION 28. INSPECTIONS**

A. Rental units secured though Texas NSP assistance must be inspected prior to occupancy and must comply with state or local codes and if there are no such standards of code requirements, the housing must meet the Housing Quality Standards (HQS) in 24 CFR §982.401.

B.Developer must have a final property inspection performed at construction completion. Evidence of construction completion must be submitted within thirty days of completion and shall be provided in a format prescribed by the Department to the Department. The clearance of the inspection is required by the Department in order to release the statutory 10% retainage.

**SECTION 29. ENVIRONMENTAL CLEARANCE REQUIREMENTS and HUD ENVIRONMENTAL STANDARDS**

**________ Initials of Developer: Subject to the Departments environmental approval, all Developers must complete environmental review procedures and receive release of funds *before* purchase of any property or commencement of construction.**

A. The environmental effects of each activity carried out with funds provided under this contract must be assessed in accordance with the provisions of the Texas NSP Requirements, National Environmental Policy Act of 1969 (NEPA) and the related activities listed in HUD's implementing regulations at 24 C.F.R. Parts 50, 51, 55 and 58. Each such activity must have an environmental review completed and support documentation prepared complying with the National Environmental Policy Act of 1969 and regulations at 24 C.F.R. Parts 50, 51, 55 and Part 58. No funds may be requested before the completion of the environmental review process, including the requirements of 24 C.F.R. §58.6, and written clearance has been provided by the Department.

B. As a non-governmental entity (nonprofit organization), the Developer is not delegated authority to become an Responsible Entity and make environmental determinations and therefore, shall assist Department in completing the environmentel review by providing all relevant documentation needed to perform an environmental review, or carry out mitigating measures required, or selecting an alternate property for assistance.

C. As available, Developer must attend Texas NSP training for environmental assessments. The assessments must be satisfactory to Department. This contract is conditional in nature and does not grant Developer legal claim to any Texas NSP funds for a specific project or site until the environmental review process is approved by Department. The agreement to provide funds to the project is conditional on Department's or Developer's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review.

D. Funds provided under this contract may not be used in connection with acquisition or rehabilitation or new construction of housing located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless the locality in which the site is located is participating in the National Flood Insurance Program (NFIP) or less than a year has passed since FEMA notification regarding such hazards and flood insurance is obtained as a condition of approval of the commitment. Developer must determine if the locality participates in the NFIP during the preliminary stages of the environmental clearance process.

E. Conditional Commitment of Funds. Developer may enter into an agreement for the conditional commitment of Texas NSP funds for a specific project prior to the completion of the environmental review process. The Department must ensure that any such agreement does not provide the Developer, recipient, subrecipient, or contractor any legal claim to any amount of NSP funds to be used for the specific project or site unless and until the site has received environmental clearance. The following language is acceptable in an otherwise appropriately drafted agreement and must be included in any contract to conditionally acquire residential property for the purposes of the NSP:

> Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the Department of a release of funds from the U.S. Department of Housing and Urban Development [or the State of Texas] under 24 CFR Part §58. The parties further agree that the provision of any funds to the project is conditioned on the Department's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review.

F. All properties that are being proposed for use must be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property. The environmental review of non-residential property (or multi-family housing with five or more dwelling units, including leasing) must include the evaluation of previous uses of the site or other evidence of contamination on or near the site, to ensure that the occupants of proposed sites are not adversely affected by any hazards. Particular attention must be given to any proposed site on or in the general proximity of such areas as dumps, landfills, industrial sites, or other locations that contain, or may have contained, hazardous wastes. The Developer shall use current techniques by qualified professionals to undertake investigations determined necessary. HUD Notice 79-33, Policy Guidance to Address the Problems Posed by Toxic Chemicals and Radioactive Materials, September 10, 1979.

## SECTION 30. CITIZEN PARTICIPATION REQUIREMENTS

A. The Developer shall provide for and encourage citizen participation, particularly by low and moderate income persons who reside in slum or blighted areas and areas in which the funds provided under this Contract are used.

B. The Developer shall maintain written citizen complaint procedures that provide a timely written response to complaints and grievances. Such procedures shall comply with the Department's requirements. The Developer shall ensure that its citizens are aware of the location and hours at which they may obtain a copy of the written procedures and the address and phone number for submitting complaints.

## SECTION 31. TENANT PROTECTION REQUIREMENTS

The Developer agrees to comply with the Protecting Tenants at Foreclosure Act of 2009 "PTAF" Pub.L No. 111-22, tit.VII, §§ 701-704 (2009). The Developer must document its efforts to ensure that the initial successor in interest ("ISII") in foreclosed upon residential real property has provided bona fide tenants with the notice and other protections outlined in PTAF. The Developer will not use NSP funds to finance the acquisition of property from any initial successor in interest that failed to comply with applicable requirements. If the Developer knows that the ISII did not comply with the NSP tenant protection requirements and vacated the property contrary to the NSP requirements, NSP funds cannot be used to acquire such properties.

## SECTION 32. DISPLACED PERSONS

Texas NSP requires adherence to the guidelines set forth in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended in 24 CFR 570.606. The Developer will minimize displacement of persons as a result of activities assisted with such funds; In the event that displacement of residential dwellings will occur in connection with a project assisted with Texas NSP funds, it will follow a residential antidisplacement and relocation assistance plan, as specified by the Department.

## SECTION 33. AFFIRMATIVE MARKETING and ADVERTISING OR SOLICITING BIDS

Developer must adopt affirmative marketing policies and procedures in furtherance of Texas' commitment to non-discrimination and equal opportunity in housing. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, gender, religion, familial status or disability. Records should be maintained describing actions taken by the Developer to affirmatively market units and assess the results of these actions.

The Developer shall not advertise or solicit bids for construction or rehabilitation of a project assisted with funds provided under this Contract until the Developer has received the applicable prevailing wage rates from the Department, if applicable.

The Developer will use its best efforts to afford small businesses, minority business enterprises, and women's business enterprises the maximum practicable opportunity to participate in the performance of this contract. As used in this contract, the terms "small business" means a business that meets the criteria set forth in section 3(a) of the Small Businesses Act, as amended (15 U.S.C. 632), and "minority and women's business enterpnse" means a business at least fifty-one (51) percent owned and controlled by minority group developers or women. The Developer may rely on written representations by businesses regarding their status as minority and women-owned business enterprises in lieu of an independent investigation.

## SECTION 34. LABOR STANDARDS

A. DAVIS-BACON ACT. Every contract for the construction (rehabilitation or new construction) of housing that includes 8 or more units assisted with NSP funds must contain a provision in accordance with 24 C.F.R. § 570.603 requiring the prevailing wage established by the U.S. Department of Labor, or the appropriate rate as determined by the U.S. Department of Labor pursuant to the Davis-Bacon Act (40 U. S. C. 276a-276a-5), to all laborers and mechanics employed in the construction of the housing assisted under this Contract. Such contracts shall be subject to the Contract Work Hours and Safety Standards Act, 40 U.S.C. §§ 328 to 334, as applicable. Construction contractors and subcontractors must comply with regulations issued under these Acts and with other federal laws, and regulations pertaining to labor standards, as applicable.

B. CERTIFICATION REGARDING UNDOCUMENTED WORKERS.

Developer, by execution of this Contract and the Certifications attached as Exhibit F, Certifications Regarding the Expenditures of Funds,, hereby certifies that Developer, or a branch, division, or department of Developer does not and will not knowingly employ an undocumented worker, where "undocumented worker" means an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or authorized under law to be employed in that manner in the United States. If, after receiving a public subsidy, Developer, or a branch, division, or department of Developer is convicted of a violation under 8 U.S.C. §1324a(f), Developer shall repay the lesser of the Contract amount as stated under Section 7 (D). of this Contract or such amount that has been actually funded to the Developer under this Contract, with interest, at the rate of 0% per annum in accordance with the terms provided by an agreement under §2264.053 of the Texas Government Code, not later than the 120th day after the date the Department notifies Developer of the violation.

**SECTION 35. LEAD-BASED PAINT**

NSP assisted new construction or rehabilitation will comply with federal lead-based paint requirements including lead screening in housing built before 1978 in accordance with 24 CFR Part 92.355, 24 CFR Part 35, subparts A, B, J, K, M, and R, and the Lead; Renovation, Repair, and Painting Program Final Rule, 40 CFR Part 745.

**SECTION 36 PURCHASE DISCOUNT**

All NSP assisted property acquisitions must attain the minimum 1% discount from the market appraised value, at the time of purchase. The discount is proven by an appraisal that meets NSP guidelines.

**SECTION 37. SUBSIDY LAYERING**

HOME previously-assisted property: If NSP funds assist a property that was previously assisted with HOME funds, but on which the affordability restrictions were terminated through foreclosure or transfer in lieu of foreclosure pursuant to 24 CFR Part 92, the HOME affordability restrictions for the greater of the remaining period of HOME affordability (had such restrictions not been terminated) or the continuing affordability requirements of this Contract will apply.

**SECTION 38. CERTIFICATION REGARDING CERTAIN DISASTER RELIEF CONTRACTS**

The Department may not award a contract that includes proposed financial participation by a person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or assessed a penalty in a federal civil or administrative enforcement action in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005 By execution of this Contract and the Certifications attached as Exhibit F, Certifications Regarding the Expenditures of Funds, Developer certifies that "Under Section 2261.053 of the Texas Government Code, the individual or business entity named in this Contract is not ineligible to receive this Contract and acknowledges that this Contract may be terminated and payment withheld if this certification is inaccurate "

SECTION 39. **DEBARMENT**

A. By signing this Contract, the Developer certifies that it will not award any funds provided under this Contract to any party which is debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549 and 24 CFR Part 24. The Developer shall receive the certification provided by the Department from each proposed subcontractor under this Contract and its principals.

B. By signing this Contract, the Developer certifies that it is not debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549 and 24 CFR Part 24. Further, the Developer is required to immediately report to the Department if it is debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549 and 24 CFR Part 24.

SECTION 40. **POLITICAL AID AND LEGISLATIVE INFLUENCE PROHIBITED**

A. None of the funds provided under this Contract shall be used for influencing the outcome of any election, or the passage or defeat of any legislative measure. This prohibition shall not be construed to prevent any official or employee of the Developer from furnishing to any member of its governing body upon request, or to any other local or state official or employee or to any citizen information in the hands of the employee or official not considered under law to be confidential information. Any action taken against an employee or official for supplying such information shall subject the person initiating the action to immediate dismissal from employment.

B. No funds provided under this Contract may be used directly or indirectly to hire employees or in any other way fund or support candidates for the legislative, executive, or judicial branches of government of the State of Texas or the government of the United States.

SECTION 41. **ORAL AND WRITTEN AGREEMENTS**

A. All oral and written agreements between the parties to this Contract relating to the subject matter of this Contract that were made prior to the execution of this Contract have been reduced to writing and are contained in this Contract. Moreover, Department and Developer mutually agree that the Prior Contract is hereby terminated and that neither Department nor Developer has any further obligation thereunder, all such obligations between the parties with respect to the subject matter hereof being now defined and governed by this Contract.

B. The attachments enumerated and denominated below are hereby made a part of this Contract, and constitute promised performances by the Developer in accordance with Section 3 of this Contract:

1. Exhibit A- Scope of Work and Loan Commitment
2. Exhibit B- Budget
3. Exhibit C- Project Implementation Schedule
4. Exhibit D- Applicable Laws and Regulations
5 Exhibit E- Texas NSP Program Requirements
6. Exhibit F- Certifications Regarding the Expenditure of Funds
7. Exhibit G- Certification Regarding Lobbying For Contracts, Grants, Loan, and Cooperative Agreements

SECTION 42. **COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS**

The Developer shall comply with the Act and Regulations specified in Section 3 of this Contract and with the OMB Circular and federal regulations specified in Section 13 of this Contract; Cash Management Improvement Act regulations (31 C.F.R. Part 205); and with all other federal, state, and local laws and regulations applicable to the activities and performances rendered by the Developer under this Contract including but not limited to the laws, and the regulations promulgated thereunder specified in the Applicable Laws and Regulations attached as Exhibit D of this Contract.

**SECTION 43. ASSIGNMENT**

This Contract is entered into by Department and between Developer only. Accordingly, it is not assignable by either party without the prior written consent and agreement of the other party, which consent may be withheld by such party in its sole discretion.

**SECTION 44. SEVERABILITY**

If any provision of this Agreement is held invalid, the remainder of the Agreement shall not be affected thereby and all other parts of this Agreement shall nevertheless be and remain in full force and effect and construed so as best to effectuate the intent of the parties.

**SECTION 45. FORCE MAJEURE**

Time is of the essence in the completion and delivery of the obligations stated herein. If the obligations, including construction or rehabilitation of the improvements are delayed by the following, an equitable adjustment will be made for delay or failure to perform hereunder:

(a) Any of the following events: (i) catastrophic weather conditions or other extraordinary elements of nature or acts of God; (ii) acts of war (declared or undeclared), (iii) acts of terrorism, insurrection, riots, civil disorders, rebellion or sabotage; and (iv) quarantines, embargoes and other similar unusual actions of federal, provincial, local or foreign Governmental Authorities; and

(b) The non-performing party is without fault in causing or failing to prevent the occurrence of such event, and such occurrence could not have been circumvented by reasonable precautions and could not have been prevented or circumvented through the use of commercially reasonable alternative sources, workaround plans or other means.

**SECTION 46. COUNTERPARTS AND FACSIMILE SIGNATURES**

This Contract may be executed in one or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Signed signature pages may be transmitted by facsimile or electronic transmission, and any such signature shall have the same legal effect as an original. An executed facsimile or email copy will be sufficient to evidence the parties' agreement to any amendment, revision or change to this Contract if it is made on a form provided by the Department. If any party returns a copy by facsimile machine, the signing party intends the copy of its authorized signature printed by the receiving machine to be its original signature. If any party returns a copy by email, the signing party intends the copy of its authorized signature emailed to the receiving email to be its original signature.

**SECTION 47. JURISDICTION**

This Contract is executed and delivered in and is intended to be performed entirely in the State of Texas.

**SECTION 48. APPLICABLE LAW AND VENUE**

This contract shall be construed under and in accordance with the laws of the State of Texas. VENUE FOR ANY LITIGATION REGARDING THIS CONTRACT SHALL BE FIXED IN ANY COURT OF COMPETENT JURISDICTION IN AUSTIN, TRAVIS COUNTY, TEXAS; provided, however, the foregoing shall not be construed as a waiver by either party of sovereign immunity, official immunity or any other immunity or defense provided by law.

[Signature page follows.]

WITNESS OUR HAND EFFECTIVE:

DEVELOPER:

**HOUSING AND COMMUNITY SERVICES, INC., a Texas nonprofit corporation**

By:______________________________
Name: Gilbert M. Piette
Title: Executive Director

THIS CONTRACT IS NOT EFFECTIVE UNLESS SIGNED BY THE EXECUTIVE DIRECTOR OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS OR BY THE EXECUTIVE DIRECTOR'S AUTHORIZED DESIGNEE.

APPROVED AND ACCEPTED ON BEHALF OF:

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas**

BY:______________________________
Name: TIMOTHY K. IRVINE
Its duly authorized representative

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CONTRACT NO. 77090000252

EXHIBIT A
SCOPE OF WORK AND LOAN COMMITMENT

Housing and Community Services, Inc., a Texas nonprofit corporation

SECTION I. RENTAL HOUSING PURCHASE AND REHABILITATION PROGRAM UNDER USE B

Developer shall implement an NSP Eligible Use activity described in Section II of this Exhibit A utilizing TWO MILLION EIGHT HUNDRED TWELVE THOUSAND FIVE HUNDRED AND NO/100 DOLLARS [redacted] as defined in Section III, Number 2 of this Exhibit A (the "Property"). The Property address is: 8219 Perrin Beitel, San Antonio, Texas 78218.

SECTION II. NSP ELIGIBLE USE.

1. **Acquisition and/or Disposition of Multifamily Rental Property.** Developer shall purchase and acquire all real property, easements, and/or rights-of-way of a foreclosed multifamily residential property in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 et seq.) and HUD implementing regulations (24 C.F.R. Part 42), as modified by the Neighborhood Stabilization Program under the Housing and Economic Recovery Act, 2008 (FR-5255-N-01).
2. **Residential Rental Housing Rehabilitation and Reconstruction.** Developer shall conduct the rehabilitation of a multifamily residential property within the target area utilizing the funds provided hereunder.

SECTION III. LOAN COMMITMENT.

Department is relying on the accuracy of all information, representations and documents submitted by Developer in connection with its application for this loan In issuing this Loan Commitment attached as Exhibit A to the Contract referenced above (the "Contract"). By acceptance of the Contract, Developer agrees to comply with each of the terms and conditions set forth in the loan application, program guidelines and this Loan Commitment attached as Exhibit A to the Contract. By execution of the Contract, Developer represents and warrants to Department that there has been no material adverse change to Developer's financial status or any material change in Developer's organizational structure, including the makeup of Developer's board of directors, if any. DEPARTMENT MAY TERMINATE THIS CONTRACT IF ANY INFORMATION RELATIVE TO THIS TRANSACTION HAS BEEN OR IS MISREPRESENTED BY DEVELOPER. Department may also terminate this Contract if there is any adverse change with respect to Developer's representations in the loan application or with respect to the Property. If Developer is unable to comply with any law, state or federal, or any governmental regulations which affect this transaction, then this Contract shall terminate.

NSP Eligible Use funds are awarded to the Developer in the form of a loan from the Department as follows:

1. Loan Type. The loan is to finance the acquisition and rehabilitation of a sixty-seven (67) unit multifamily rental housing under the NSP Program.

2. Property. The real property located in San Antonio, Bexar County, Texas and all improvements thereon, consisting of 67 multifamily rental units. (Please provide complete legal description as soon as it is available).

3. **Loan Amount.** "$1,000,000.00 is for acquisition costs, $1,793,000.00 is for construction or rehabilitation costs, $19,500.00 for relocation, for a total loan amount up to **TWO MILLION EIGHT HUNDRED TWELVE THOUSAND AND FIVE HUNDRED AND NO/100 DOLLARS ($2,812,500.00.)**"

4. [redacted] to begin at the end of the Reconstruction and Rehabilitation Period, as defined in Section 10 of this Exhibit A.

5. **Annual Interest Rate.** The interest rate will be equal to the zero **percent** (0%) per annum. The interest rate shall be zero percent (0%) same and except that in the event of sale before the expiration of the affordability period referenced in number 11 of this exhibit, the rate of interest effective on the entire amount advanced from the time advanced until repaid shall be the maximum rate permitted by the laws of the State of Texas, or, if state law does not establish a maximum, eighteen percent (18%.)

6. **Payment Terms.** No interest will accrue during the Reconstruction and Rehabilitation Period as herein defined 360 payments of the unpaid principal and interest shall be due and payable beginning on the expiration date of the Reconstruction and Rehabilitation Period as herein defined

7. **Security for the Loan.** A first lien deed of trust against the Property, together with a security agreement and assignment of rents and financing statement, for all improvements, personal property, contracts and other rights associated with the Property.

8. **Closing Date.** This Loan Commitment (Exhibit A to the Contract) and all Department's obligations hereunder shall expire if all conditions to the Closing and initial funding, if applicable, are not satisfied by 12 months from the effective date of this Contract, or September 2, 2011 unless Department, in its sole discretion, chooses to extend the Closing Date in writing.

9. **Loan Commitment Termination Date.** Developer shall deliver all of the information required by this Loan Commitment attached hereto as Exhibit A of the Contract on or before **thirty (30) days** prior to the Closing Date as herein defined and if the Department in its sole and reasonable discretion determines that all such information has not been received by the Department by said date, the Department may terminate the Department's obligations hereunder, unless Department, in its sole discretion, chooses to extend the Loan Commitment Termination Date in writing.

10. **Reconstruction and Rehabilitation Period.** The Reconstruction and Rehabilitation Period shall be the period outlined in Exhibit C.

11. **Land Use Restriction Agreement (LURA).** Multifamily properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis. The LURA required by the Department, executed by Developer and recorded in the appropriate county office for real estate records, restricting the Property to certain occupancy and rent requirements for a period of thirty (30) years. For the first fifteen (15) years of the LURA, the

Property will be subject to all federal and state laws and regulations regarding NSP and affordability requirements at 24 CFR 92.254. For the final fifteen (15) years of the LURA the Property will be subject only to state affordability requirements and any applicable federal or state laws.

The Texas NSP has adopted the federal program standards for continued affordability for rental housing at 24 CFR §92.252, however, multifamily housing units will be required to adhere to a 30-year affordability period as defined in the Texas Government Code §2306.185, which outlines State of Texas long-term affordability requirements. Units targeting households earning 50% of AMI must maintain income and rent restrictions for households at that level published by the Department. Units permanently finance with NSP-R funds will have a 30-year affordability period.
The Developer may charge or assess reasonable fees to recover their direct and indirect costs related to the Property. All such fees must be submitted to the Department for prior approval, which shall not be unreasonably withheld.

**12. Set Asides.** All 67 Units of the total 67 units must be set aside for income eligible tenants and families whose income are at or below 50% of area median income (AMI) per household size according to the most current NSP income limits as promulgated by the US Department of Housing and Urban Development (HUD).

**13. Rent Limitations.** The maximum monthly rent charged by Owner for Units occupied by Eligible Tenants and Eligible Tenants at 50% shall not exceed the limits determined by the applicable calculations required by HUD or the Department in accordance with 24 CFR §92.252, as may be amended from time to time.

**14. Title Insurance.** Developer must provide Department with an Interim Construction Binder or Mortgagee's Policy of title insurance, as applicable, for the Property, (from a title insurer acceptable to Department) issued on standard forms promulgated by the Texas Department of Insurance, in the Loan Amount, showing Department to be in a first lien position. At closing, Developer must be prepared to provide Department with said Binder/Mortgagee Policy with only such exceptions to title on Schedule B as are acceptable to Department. Department shall require the standard "survey deletion", deletion of the "Arbitration Clause" and an Environmental Endorsement.

**15. Insurance.** Developer must obtain and maintain (or cause to be obtained and maintained) during the entire Loan Term, property and casualty insurance in an amount sufficient to protect Department's interest in the Property, issued on a replacement cost basis and insuring the full replacement cost of the Mortgaged Property. This insurance is to be furnished through a company of Developer's choice with a rating of at least "A-" by Standard & Poor Insurance Solvency Review and/or at least "A, XI" by Best's Insurance Guide with the Texas Department of Housing and Community Affairs listed as a mortgagee and not as a co-insured. If the Department, in its sole discretion deems the Mortgaged Property to be at risk for special hazards, the Department may require additional coverage for flood, windstorm or earth movement. Developer must also obtain and maintain (or cause to be obtained and maintained) public liability insurance in the minimum amount of $1,000,000, or such other amount as the Department may from time to time require by giving notice to Developer, with the Texas Department of Housing and Community Affairs listed as an additional insured. Developer must also obtain and maintain (or cause to be obtained and maintained by its general contractor) during any and all times improvements on the Mortgaged Property are under construction, public liability insurance, with the Texas Department of Housing and Community Affairs listed as an additional insured and carry builder's risk property insurance in nonreporting ("completed value") form on a replacement cost basis (in lieu of carrying commercial property insurance during the construction period) and worker's compensation insurance, endorsed to be payable to the Texas Department of Housing and Community Affairs listed as a mortgagee and loss payee. Evidence of insurance shall be provided annually to the Department.

Furthermore, if the Mortgaged Property is zoned for a legal but nonconforming use, Developer must also obtain and maintain "ordinance and law" insurance coverage for the (i) loss of Improvements because of forced removal based on zoning violations; (ii) related demolition costs; and (iii) increased costs of repair or construction which is attributable to enforcement of zoning requirements. This additional insurance coverage may be obtained by endorsement to existing property insurance policies.

16. **Survey.** Developer agrees to provide the Department, at Developer's expense, a current survey of the Property, showing any improvements as built and otherwise satisfactory to Department. The survey must be a class 1A urban survey and/or a Class 1A "As-built" survey and must be accompanied by a description of the Property and a surveyor's certificate, both of which must be satisfactory to Department, Department's counsel and the title company. The survey must be sufficient to allow the title company to amend the title policy survey exception to provide for "shortages in area only". The survey must also show whether any portion of the Property is located within a designated 100 year flood plain. The survey must show no encroachments. The survey must also be certified to the Department, the Developer, and the title company.

17. **Appraisal.** Developer agrees to provide the Department, as Developer's expense, a full appraisal of the fair market value of the Property or proposed property prepared by a state certified appraiser. The form and content of the appraisal must be acceptable to the Department. Appraisals that conform to the requirements of the URA at 49 CFR part 24 and the requirements set forth in the NSP Federal Notice will be required for the purposes of determining the statutory purchase discount and the amount of available permanent financing based on loan-to-value for all NSP assisted acquisitions. The appraisal must be completed within 60 days of the final offer made for the property by the Developer.

18. **Accessibility.** Multifamily housing assisted with NSP funds must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794) and covered multifamily dwellings, as defined at 24 CFR §100.201, and the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619). Additionally, pursuant to the 2010 Qualified Allocation Plan (QAP), 10 TAC §50.9(h)(4)(H), Developments involving New Construction (excluding New Construction of nonresidential buildings) where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A certification will be required after the Development is completed from an inspector, architect, or accessibility specialist.

19. **Closing Costs.** Developer shall be responsible for all closing costs, including but not limited to appraisal fees, environmental assessment fees, survey fees, premiums for title insurance, escrow fees, recording fees and other similar costs and expenses incurred in connection with the closing of this loan under this Contract, which shall be subject to reimbursement from the Loan Amount as set forth in Section 3 above. In the event that the loan under this Contract does not close, Developer's acceptance of this Contract constitutes Developer's agreement to pay all costs actually incurred by Department in connection with the loan under this Contract. Department authorized pre-award costs for predevelopment costs, including but not limited to legal, architectural, engineering, appraisal, surveying, environmental, and market study fees, may be paid if incurred before the effective date of this Contract if the costs are in accordance with 24 C.F.R. § 92.212 and at the sole discretion of the Department.

**20. Loan Documents.** All mortgage Loans shall be evidenced by a mortgage or deed of trust note and by a mortgage that creates a lien payable to TDHCA on the Property. Developer's execution and delivery of the Note, Deed of Trust, Land Use Restriction Agreement and all other documents evidencing, securing or executed in connection with the loan under this Contract in form and substance acceptable to Department. The Loan Documents shall expand and fully set forth the terms and conditions of the loan under this Contract

**21. Taxes, Insurance, and Escrow.** All ad valorem taxes and all special or improvement assessments, if any, which are due and payable and affect the Property must be paid in full at or prior to closing. Developer Owner must create a reserve for the payment of all insurance premiums, taxes, and assessments against the Property by depositing (and providing Department written evidence quarterly of such deposits in a form satisfactory to Department) in an account with Department as an additional signatory authority on said account in a federally insured bank or savings and loan approved by Department, for the term of the loan concurrent with the payment of principal and interest, a sum equal to the premiums that will next become due and payable on the hazard insurance policies covering the Property, or any part thereof, plus taxes and assessments next due on the Property, or any part thereof, as estimated by Department, less all sums deposited therefore, divided by the number of months to elapse before one month prior to the date when such premiums, taxes and assessments will become delinquent. All such funds so deposited may not be mingled with the general funds of Developer and shall be applied by Developer toward the payment of such taxes, assessments, charges and premiums when statements therefore are presented to Developer. Evidence of payment of taxes and insurance is to be provided annually to Department.

**21. Non-Recourse.** Notwithstanding anything herein to the contrary, Department shall have no recourse against Developer for payment and performance of all of the obligations, covenants and agreements of Developer under the loan and the Loan Documents. If default occurs in the timely and proper payment of any portion of such indebtedness or in the timely performance of any of such obligations, agreement or covenants, any judicial proceedings brought by Department against Developer shall be limited to the protection and preservation of the Property, the preservation, enforcement and foreclosure of the liens, mortgages, assignments, rights and security interests securing the payment of the loan under this Contract, and enforcement and collection of obligations, covenants and indebtedness for which Developer remains liable. If there is a foreclosure of any such liens, mortgages, assignments, rights, and security interests securing the payment of this loan under this Contract, by power of sale or otherwise, no judgment for any deficiency upon such indebtedness shall be sought or obtained by Department against Developer. Notwithstanding the foregoing provisions of this paragraph, the Department shall have full recourse against Developer for: (a) fraud or misrepresentation by Developer in connection with the transactions herein contemplated; (b) failure to pay taxes, assessments, charges for labor or materials or other charges that can create liens on any portion of the Property; (c) the misapplication of (i) proceeds of insurance covering any portion of the Property, or (ii) proceeds of the sale or condemnation of any portion of the Property, or (iii) rentals received by or on behalf of Developer subsequent to the date on which Department gives written notice of the posting of foreclosure notices; (d) failure to prevent waste to the Property unless Department is compensated therefore by insurance proceeds collected by Developer; (e) the return to Department of all unearned advance rentals and security deposits paid by tenants of the Property and not refunded to or forfeited by such tenants; (f) the return of, or reimbursement for, all personal property taken from the Property by or on behalf of Developer; (g) all court costs and for all attorneys' fees provided for in any instrument governing, securing or pertaining to the payment of the Note; and (h) failure to comply with any indemnification provision or covenants pertaining to environmental matters contained in the Security Documents.

**EXHIBIT B, Amendment #1**
**BUDGET**
**TEXAS NSP CONTRACT NO. ~~77090000152~~ 77090000252**
**HOUSING and COMMUNITY SERVICES, Inc.**

| LINE | CATEGORIES | CONTRACT FUNDS | OTHER FUNDS* | TOTAL |
|---|---|---|---|---|
| | | | | |
| A | Financing Mechanisms (use subcategories) | | | |
| A1 | Permanent Financing | | | |
| A2 | Homebuyer Assistance | | | |
| | | | | |
| B | Purchase and Rehabilitation (use subcategories) | | | |
| B1 | Acquisition/Disposition | $ 1,000,000 | -0- | $ 1,000,000 |
| B2 | Rehabilitation/Reconstruction | $ 1,793,000 | -0- | $ 1,793,000 |
| B3 | Relocation | $ 19,500 | -0- | $ 19,500 |
| | | | | |
| C | Land Bank | | | |
| | | | | |
| D | Demolition | | | |
| | | | | |
| E | Redevelopment (use subcategories) | | | |
| E1 | Acquisition/Disposition | | | |
| E2 | New Construction (permanent housing) | | | |
| E3 | Public Facilities | | | |
| E4 | Rehabilitation | | | |
| | | | | |
| F | Developer Fee | $ 140,625 | -0- | $ 140,625 |
| | | | | |
| G | Other (non-NSP eligible use) | | | |
| | | | | |
| | Totals | $ 2,953,125 | -0- | $ 2,953,125 |

*** Sources of other committed funds:**

1)
2)
3)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**CONTRACT NO. "~~Contract Number~~" 77090000252**

**EXHIBIT C**
**MILESTONES AND THREASHOLDS**

**Housing and Community Services, Inc., a Texas nonprofit corporation**

| | |
|---|---|
| All contract funds 100% Obligated | September 3, 2010 |
| All Rehab/Reconstruction activities initiated | March 1, 2011 |
| Contract 30% Expended | March 1, 2011 |
| Contract 70% Expended | March 1, 2012 |
| All Rehab/Reconstruction activities completed | August 31, 2012 |
| All properties in eligible use (all repayment to TDHCA initiated) | August 31, 2012 |
| Contract 100% Expended (minus reserved) | September 2, 2012 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CONTRACT NO. 77090000252

EXHIBIT D
THE APPLICABLE LAWS AND REGULATIONS

## I. CIVIL RIGHTS

Title VI of the Civil Rights Act of 1964, (42 U.S.C. Section 2000d et seq.); 24 C.F.R. Part I, "Nondiscrimination in Federally Assisted Programs of the Department of Housing and Urban Development - Effectuation of Title VI of the Civil Rights Act of 1964"; .

Title VIII of the Civil Rights Act of 1968, "The Fair Housing Act of 1968" (42 U.S.C. Sec 3601 et seq.), as amended;

Section 109 of Title I of the Housing and Community Development Act of 1974 as amended (the HCDA);

Executive Order 11063, as amended by Executive Order 12259, and 24 C. F.R. Part 107, "Nondiscrimination and Equal Opportunity in Housing under Executive Order 11063".

The Age Discrimination Act of 1975 (42 U.S.C. Sec. 6101 et seq.);

The Americans with Disabilities Act of 1990; and

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Sec. 794.) and "Nondiscrimination Based on Handicap in Federally-Assisted Programs and Activities of the Department of Housing and Urban Development", 24 C.F.R. Part 8.

## II. LABOR STANDARDS

The Davis-Bacon Act, as amended (40 U.S.C. Secs. 276a - 276a-5);

The Contract Work Hours & Safety Standards Act (40 U.S.C. 327 et seq.);

The Copeland "Anti-Kickback" Act (18 U.S.C. Sec. 874).

## III. EMPLOYMENT OPPORTUNITIES

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. Sec.1701u).

## IV. LEAD-BASED PAINT

Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. Sec. 4831(b)) and the procedures established by the Department thereunder. EPA's Regulations on Lead; Renovation, Repair, and Painting Program 40 CFR Part 745

## V. ENVIRONMENTAL LAW AND AUTHORITIES

(a) Environmental Review Procedures for Recipients assuming HUD Environmental Responsibilities, 24 CFR Part 58, as amended.

(b) <u>Historic Properties</u>

(1) The National Historic Preservation Act of 1966 as amended (16 U.S.C. 470 *et seq.*), particularly sections 106 and 110 (16 U.S.C. 470 and 470h-2), except as provided in §58.17 for Section 17 projects.
(2) Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971 (36 FR 8921), 3 CFR 1971-1975 Comp., p. 559, particularly section 2(c).
(3) Federal historic preservation regulations as follows:
  (i) 36 CFR part 800 with respect to HUD programs other than Urban Development Action Grants (UDAG) and
  (ii) 36 CFR part 801 with respect to UDAG.
(4) The Reservoir Salvage Act of 1960 as amended by the Archeological and Historic Preservation Act of 1974 (16 U.S.C. 469 *et seq.*), particularly section 3 (16 U.S.C. 469a-1).

(b) <u>Floodplain management and wetland protection</u>

(1) Executive Order 11988, Floodplain Management, May 24, 1977 (42 FR 26951), 3 CFR, 1977 Comp., p. 117, as interpreted in HUD regulations at 24 CFR part 55, particularly section 2(a) of the order (For an explanation of the relationship between the decision-making process in 24 CFR part 55 and this part, see §55.10 of this subtitle A.)

(2) Executive Order 11990, Protection of Wetlands, May 24,1977 (42 FR 26961), 3 CFR, 1977 Comp., p. 121 particularly sections 2 and 5.

(c) <u>Coastal Zone Management</u>

(1) The Coastal Zone Management Act of 1972 (16 U.S.C. 1451 *et seq.*), as amended, particularly sections 307(c) and (d) (16 U.S.C. 1456(c) and (d)).

(d) <u>Sole source aquifers</u>

(1) The Safe Drinking Water Act of 1974 (42 U.S.C. 201, 300(f) *et seq.*, and 21 U.S.C. 349) as amended; particularly section 1424(e)(42 U.S.C. 300h-3(e).

(2) Sole Source Aquifers (Environmental Protection Agency-40 CFR part 149.)

(e) <u>Endangered species</u>

(1) The Endangered Species Act of 1973 (16 U.S.C. 1531 *et seq.*) as amended, particularly section 7 (16 U.S.C. 1536)

(f) <u>Wild and scenic rivers</u>

(1) The Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 *et seq.*) as amended, particularly sections 7(b) and (c) (16 U.S.C. 1278(b) and (c)).

(g) <u>Air quality</u>

(1) The Clean Air Act (42 U.S.C. 7401 *et seq.* ) as amended, particularly sections 176(c) and (d) (42 U.S.C. 7506(c) and (d)).
(2) Determining Conformity of Federal Actions to State or Federal Implementation Plans (Environmental Protection Agency-40 CFR parts 6, 51, and 93).

(h) Farmland protection

(1) Farmland Protection Policy Act of 1981 (7 U.S.C. 4201 *et seq.*) particularly sections 1540(b) and 1541 (7 U.S.C. 4201(b) and 4202).
(2) Farmland Protection Policy (Department of Agriculture-7 CFR part 658).

(i) HUD environmental standards

(Applicable criteria and standards specified in HUD environmental regulations (24 CFR part 51) other than the runway clear zone and clear zone notification requirement in 24 CFR 51 303(a) (3).

(j) Environmental justice

Executive Order 12898 of February 11, 1994 --- Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, (59 FR 7629), 3 CFR, 1994 Comp. p. 859.

(k) Other requirements - See 24 CFR Part 58.6.

## VI. ACQUISITION/RELOCATION

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 et seq.), 24 C.F.R. Part 42, and 24 C.F.R. Section 570.606.

## VII. FAITH-BASED ACTIVITIES

Executive Order 13279 of December 12, 2002 - Equal Protection of the Laws for Faith-Based and Community Organizations, (67 FR 77141).

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**
**CONTRACT NO. 77090000252**

**EXHIBIT E**
**TEXAS NSP REQUIREMENTS**

A. Definitions

As stipulated in the *Federal Register* Notice (Docket No. FR-5255-N-01, FR-5255-N-02; FR-5321-N-03; and FR-5410-N-01) for the NSP, there are certain terms used in HERA that are not used in the regular CDBG program. Certain terms may be used differently in HERA and in the Housing and Community Development Act of 1974, as amended. When in conflict, definitions published in the *Federal Register* (Docket No. FR-5255-N-01) and any subsequent HUD Errata Notice are controlling for the Texas NSP.

B. Administrative and Activity Delivery/Soft Costs Limitations

1) Activity Delivery costs represents the costs incurred in implementing activities for specific housing units, separately from the developer fee costs, for which limits are set forth in Section 8 and 9 in this Contract. The Texas NSP limits Activity Delivery costs according to activity as specifically described in program activity sections.

2) Activity Delivery costs are soft costs that are directly related to and identified with a specific housing unit (property). Eligible project-related soft costs must be reasonable and consistent with industry norms. Specific eligible activities include:
   a) preparation of work write-ups, work specifications, and cost estimates;
   b) architectural, engineering or professional services required to prepare plans, drawings or specifications directly attributable to a particular project;
   c) inspections for lead-based paint, asbestos, termites or septic systems;
   d) Interim and final inspections by the construction inspector;
   e) financing fees, credit reports, title binders and insurance;
   f) recordation fees, transaction taxes;
   g) legal and accounting fees;
   h) appraisal fees;
   i) architectural and engineering fees, including specifications and job progress inspections;
   j) relocation costs;
   k) site specific environmental reviews; and
   l) Lead hazard evaluation and reduction costs.

C. Eligible Developers

Eligible developers are private nonprofit organizations.

D. Program Activities

General Requirements for all Activities

a) Income Targeting: All Texas NSP activities must benefit low, moderate and middle-income persons as defined in the NSP Federal Notice (≤ 120% of area median income). At least 35% of the non-developer fee funds should be targeted to benefit households with incomes less than or equal to 50% AMI.

E. NSP Eligible Uses

1) Purchase and Rehabilitation of Foreclosed Properties –
*Activity Type: NSP Eligible Use (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties.*
*CDBG Eligible Activities: 24 CFR §570.201(a) Acquisition, (b) Disposition; 24 CFR §570.202 Rehabilitation.*
   a. Activity Delivery Cost Limits: Activity Delivery costs for all financing mechanisms will be limited to 20% of the NSP non-developer fee costs per housing unit or property. At the discretion of the Department, activity delivery costs exceeding per unit limits may be spread out among the portfolio of properties as long as the activity delivery costs do not exceed the respective percentages for the Eligible Use Budget line items.

F. General Loan Requirements

1) Multifamily Rental Development Loan Requirements
   a) Award amounts are limited to available funding. The minimum loan may not be less than $1,000 per NSP assisted unit. The Department's underwriting guidelines in 10 TAC §1.32 will be used which set as a feasibility criterion a 1.15 debt coverage ratio minimum.

2) Documents Supporting Mortgage Loans- See Exhibit A, Scope of Work and Loan Commitment

G. NSP Affordability Periods

**Affordability Periods for Texas NSP Rental properties**

| Rental Housing Activity | Minimum Period of Affordability in Years |
|---|---|
| Rehabilitation or acquisition of existing housing per unit: Under $15,000 | 5 |
| $15,000 to $40,000 | 10 |
| Over $40,000 | 15 |
| New construction or acquisition of newly constructed housing | 20 |
| Units with NSP Permanent financing | 30 |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

CONTRACT NO. ~~"Contract Number"~~ 77090000252

EXHIBIT F

CERTIFICATIONS REGARDING THE EXPENDITURE OF FUNDS

Housing and Community Services, Inc., a Texas nonprofit corporation

THE UNDERSIGNED CERTIFIES TO THE FOLLOWING:

(1) CERTIFICATION REGARDING UNDOCUMENTED WORKERS
THE UNDERSIGNED CERTIFIES THAT:

IT, OR AN EMPLOYEE, AGENT, OR DIRECTOR OF DEVELOPER DOES NOT AND WILL NOT KNOWINGLY EMPLOY AN UNDOCUMENTED WORKER, WHERE AN "UNDOCUMENTED WORKER" MEANS AN INVIDIDUAL WHO, AT THE TIME OF EMPLOYMENT, IS NOT LAWFULLY ADMITTED FOR PERMANENT RESIDENCE TO THE UNITED STATED OR AUTHORIZED UNDER LAW TO BE EMPLOYED IN THAT MANNER IN THE UNITED STATES. IF, AFTER RECEIVING FUNDS, DEVELOPER, OR AND EMPLOYEE, AGENT, OR DIRCTOR OF DEVELOPER IS CONVICTED OF A VIOLATION UNDER 8 U.S.C. SECTION 1324a, DEVELOPER SHALL REPAY THE FUNDS, WITH INTEREST, AT A RATE OF 5% PER ANNUM, NOT LATER THAN THE 120TH DAY AFTER THE DATE TDHCA NOTIFIES DEVELOPER OF THE VIOLATION.

(2) CERTIFICATION REGARDING CERTAIN DISASTER RELIEF CONTRACTS-: UNDER SECTION 2261.053 OF THE TEXAS GOVERNMENT CODE, THE UNDERSIGNED CERTIFIES THAT:

THE INDIVIDUAL OR BUSINESS ENTITY NAMED IN THIS CONTRACT IS NOT INELIGIBLE TO RECEIVE THIS CONTRACT AND ACKNOWLEDGES THAT THIS CONTRACT MAY BE TERMINATED AND PAYMENT WITHELD IF THIS CERTIFICATION IS INACCURATE.

THIS CERTIFICATION IS A MATERIAL REPRESENTATION OF FACT ON WHICH RELIANCE WAS PLACED WHEN THIS TRANSACTION WAS MADE OR ENTERED INTO. SUBMISSION OF THIS CERTIFICATION IS A PREREQUISITE FOR MAKING OR ENTERING INTO THIS TRANSACTION.

DEVELOPER:

HOUSING AND COMMUNITY SERVICES, INC., a Texas nonprofit corporation

BY: ____________

Name: Gilbert M. Piette

Title: Executive Director

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CONTRACT NO. 77090000252

EXHIBIT G
CERTIFICATION REGARDING LOBBYING FOR
CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS

Housing and Community Services, Inc, a Texas nonprofit corporation

THE UNDERSIGNED CERTIFIES, TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THAT:

(1) NO FEDERAL APPROPRIATED FUNDS HAVE BEEN PAID OR WILL BE PAID, BY OR ON BEHALF OF THE UNDERSIGNED, TO ANY PERSON FOR INFLUENCING OR ATTEMPTING TO INFLUENCE AN DEPARTMENT OR EMPLOYEE OF AN AGENCY, A MEMBER OF CONGRESS, AN DEPARTMENT OR EMPLOYEE OF CONGRESS, OR AN EMPLOYEE OF A MEMBER OF CONGRESS IN CONNECTION WITH THE AWARDING OF ANY FEDERAL CONTRACT, THE MAKING OF ANY FEDERAL GRANT, THE MAKING OF ANY FEDERAL LOAN, THE ENTERING INTO OF ANY COOPERATIVE AGREEMENT, AND THE EXTENSION, CONTINUATION, RENEWAL, AMENDMENT, OR MODIFICATION OF ANY FEDERAL CONTRACT, GRANT, LOAN, OR COOPERATIVE AGREEMENT.

(2) IF ANY FUNDS OTHER THAN FEDERAL APPROPRIATED FUNDS HAVE BEEN PAID OR WILL BE PAID TO ANY PERSON FOR INFLUENCING OR ATTEMPTING TO INFLUENCE A DEPARTMENT OR EMPLOYEE OF ANY AGENCY, A MEMBER OF CONGRESS, A DEPARTMENT OR EMPLOYEE OF CONGRESS, OR AN EMPLOYEE OF A MEMBER OF CONGRESS IN CONNECTION WITH THIS FEDERAL CONTRACT, GRANT, LOAN, OR COOPERATIVE AGREEMENT, THE UNDERSIGNED SHALL COMPLETE AND SUBMIT STANDARD FORM - LLL, "DISCLOSURE FORM TO REPORT LOBBYING", IN ACCORDANCE WITH ITS INSTRUCTIONS.

(3) THE UNDERSIGNED SHALL REQUIRE THAT THE LANGUAGE OF THIS CERTIFICATION BE INCLUDED IN THE AWARD DOCUMENTS FOR ALL SUBAWARDS AT ALL TIERS (INCLUDING SUBCONTRACTS, SUBGRANTS, AND CONTRACTS UNDER GRANTS, LOANS, AND COOPERATIVE AGREEMENTS) AND THAT ALL SUBRECIPIENTS SHALL CERTIFY AND DISCLOSE ACCORDINGLY.

THIS CERTIFICATION IS A MATERIAL REPRESENTATION OF FACT ON WHICH RELIANCE WAS PLACED WHEN THIS TRANSACTION WAS MADE OR ENTERED INTO. SUBMISSION OF THIS CERTIFICATION IS A PREREQUISITE FOR MAKING OR ENTERING INTO THIS TRANSACTION IMPOSED BY SECTION 1352, TITLE 31, U.S. CODE. ANY PERSON WHO FAILS TO FILE THE REQUIRED CERTIFICATION SHALL BE SUBJECT TO A CIVIL PENALTY OF NOT LESS THAN $10,000 AND NOT MORE THAN $100,000 FOR EACH SUCH FAILURE.

DEVELOPER:

HOUSING AND COMMUNITY SERVICES, INC., a Texas nonprofit corporation

BY: 
Name: Gilbert M. Piette
Title: Executive Director

# NSP Substantial Amendment (Excerpts)

# THE NSP SUBSTANTIAL AMENDMENT

| | |
|---|---|
| Jurisdiction(s): State of Texas,<br>Texas Department of Housing and Community Affairs<br><br>Jurisdiction Web Address:<br>http://www.tdhca.state.tx.us | NSP Contact Person: Brenda Hull<br>Address:<br>Texas Department of Housing and Community Affairs<br>221 East 11th<br>Austin, Texas 78701<br>Telephone: (512) 305-9038<br>Fax: (512) 469-9606<br>Email:<br>brenda.hull@tdhca.state.tx.us |

This document is a substantial amendment to the Action Plan for FFY 2008 submitted by the State of Texas. The Action Plan is the annual update to the Consolidated Plan for FFY 2005 through 2009. This amendment outlines the expected distribution and use of $101,996,848 through the newly-authorized Neighborhood Stabilization Program (NSP), which the U.S. Department of Housing and Urban Development (HUD) is providing to the State of Texas. The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 (HERA) as an adjunct to the Community Development Block Grant (CDBG) Program.

The Texas Department of Housing and Community Affairs (TDHCA) will implement NSP funds, and will work in cooperation with the Office of Rural Community Affairs (ORCA) and Texas State Affordable Housing Corporation (TSAHC) in order to expeditiously deliver and effectively administer these funds. TDHCA will be the lead agency and manage a direct award pool for communities with the greatest need. Land bank/trust activities will be coordinated with TSAHC and communities identified in the plan as having the greatest need, and ORCA will co-administer with TDHCA a pool of funds for a second tier of greatest need communities.

### *A. AREAS OF GREATEST NEED*

Section 2301 of the Housing and Economic Recovery Act of 2008 is the enabling legislation for the NSP and it specifies that NSP funds are to be allocated to areas of greatest need based on:

(A) the number and percentage of home foreclosures in each State or unit of general local government;
(B) the number and percentage of homes financed by a subprime mortgage related loan in each State or unit of general local government; and
(C) the number and percentage of homes in default or delinquency in each State or unit of general local government." Section 2301 (b)(3)

## G. *NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)*

(1) Activity Name: Acquisition of Real Property

(2) Activity Type: NSP Eligible Use (B) Purchase and rehabilitate homes and residential properties that have been abandon or foreclosed upon, in order to sell, rent or redevelop such homes and properties.

CDBG Eligible Activities: 24 CFR 570.201(a) Acquisition, (b) Disposition

(3) National Objective: Benefit to low, moderate and middle income persons as defined in the NSP Notice (≤ 120% of area median income). (LMMH)

(4) Activity Description: To implement this activity, units of local governments and nonprofit organizations will purchase residential properties that have been abandoned or foreclosed upon. Such foreclosed properties must be purchased at a discount to ensure purchasers are paying below-market value for the property. Appraisals will be required for the purposes of determining the statutory purchase discount. Units of local governments or nonprofit organizations will be eligible to purchase abandoned or foreclosed properties to benefit households earning 120% AMI or below. Properties must be rehabilitated and made available to eligible households within 24 months of acquisition.

NSP funds will be provided to units of local governments and nonprofit organizations to purchase properties at the statutory discount. NSP funds will be required to be repaid to the Department within 24 months of acquisition unless maintained as rental property under program requirements. Assistance to rental property restricted to households earning 50% or less of AMI may have an interest rate at 0% fully amortized over 30 years. Properties being sold to households earning 50% or below AMI funds can be provided 100% mortgage financing including closing costs (see Financing Mechanisms activity) through the Department utilizing NSP funding.

This activity may also be used in conjunction with or coincidental to other eligible activities described in this Amendment, and the costs and outcomes for Acquisition of Real Property in those activities have been counted in 6 and 7 below.

(5) Location Description: The greatest need counties in the State of Texas identified on Exhibit 1 as Direct Texas NSP Allocation or Select Pool Eligible.

(6) Performance Measures: It is estimated that 225 properties will be purchased through the Acquisition activity to benefit the following households:

- 75 households – 50% AMI and below
- 75 households – 51-80% AMI
- 75 households – 81-120% AMI

# NSP Re-Allocation NOFA (Excerpts)

**Texas Department of Housing and Community Affairs**

# Texas Neighborhood Stabilization Program Re-Allocation
# Notice of Funding Availability (NOFA)

## 1) Summary

a) The Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") announces the expected distribution and use of at least $4,391,560 (amount includes administrative funds, see Figure 1) through the Neighborhood Stabilization Program Re-Allocation ("NSP-R"), which the U.S. Department of Housing and Urban Development ("HUD") is providing to the State of Texas. This amount may increase over time based on deobligations; as additional funds become available, they will be announced on the Department's website for continued application under this NOFA. The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 ("HERA") as an adjunct to the Community Development Block Grant (CDBG) Program for the redevelopment of abandoned and foreclosed homes and residential properties. A Substantial Amendment ("Amendment") to the Action Plan for FFY 2008 was submitted by the State of Texas to HUD in order to update the Consolidated Plan for FFY 2005 through 2009 for the Texas Neighborhood Stabilization Program requirements. The Amendment was accepted by HUD on January 30, 2009. The NSP-R NOFA will redistribute funds returned by subrecipients, or through termination of contracts, from the Texas NSP1 awards.

b) The availability and use of these funds is subject to the Community Development Block Grant regulations (24 CFR Part 570), as applicable, the federal HOME Investment Partnerships Program (HOME) regulations (24 CFR Part 92), as applicable, and Chapter 2306, Texas Government Code. Other federal regulations may also apply such as, but not limited to, 24 CFR Part 58 for environmental requirements, 24 CFR Parts 84 and 85, as applicable, for such issues as procurement and conflict of interest, and 24 CFR Parts 100-115 for fair housing. Applicants are encouraged to familiarize themselves with all of the applicable state and federal rules and program guidelines that govern the program.

c) NSP-R will be awarded independently of the original Texas NSP1 awards. New applicants and current NSP1 subrecipients that are meeting current benchmarks are encouraged to apply for NSP-R funds. NSP-R funds may not be used to re-finance or replace original Texas NSP1 awards, but may be used to complete NSP1 projects. Terms and conditions of the NSP-R will not apply retroactively to NSP1 awards.

homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.

v) **Restrictions:** The following loan requirements are imposed for all households receiving NSP-R financing:

1. No adjustable rate mortgage loans (ARMs) or interest rate buy-down loans are allowed;
2. All sources of financing may not exceed 100% combined loan to value;
3. No subprime Mortgage Loans are allowed;
4. Lenders must require the escrow of taxes and homeowners insurance;
5. An origination fee and any other fees associated with the mortgage loan may not exceed 2% of the loan amount; and,
6. The debt to income ratio (back-end ratio), as defined in Fannie/Freddie conventional loan underwriting guidelines, may not exceed 45%.
7. Subrecipients must ensure that each NSP-assisted homebuyer who receives conventional financing from a third party obtains a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages (see, Statement on subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration). NSP-assisted homebuyers may not receive subprime mortgage loans. Compliance must be documented in the records maintained for each homebuyer.
8. Properties purchased with NSP-R assistance must be the household's primary residence within 30 days of closing the mortgage loan.
9. The Texas NSP will follow the Single Family Mortgage limits set under the February 2008 edition of Section 203(b) of the National Housing Act. Eligible entities may, with written approval of the Department, utilize as a mortgage limit the most recent 95% of Actual Median Sales for each county as promulgated by HUD. The current limit may be found on the HUD website, Here: http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm
10. NSP-R Homebuyer Financing is not available for investor purchases. The property financed must be the household's primary home.

vi) **Homebuyer Counseling:** All NSP-assisted homebuyers will be required to provide evidence of completion of at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. Evidence must include documentation describing the level of homebuyer counseling, including post purchase counseling.

vi) **Rental (Single-family and Multifamily) Residential Property Financing:**

1. The acquisition of foreclosed single-family and multifamily residential properties by subrecipients to create affordable rental opportunities may be funded through a

permanent loan with the Department. Financing terms will be dependent on the level of affordability provided.

(a) Units leased to households at or below 50% of the Area Median Income will be eligible for financing through a 30-year amortizing loan at zero percent (0%) interest through the Department, for eligible units.

(b) Units leased to households at or below 30% of the Area Median Income in multi-family properties will be eligible for a 30-year zero percent (0%) interest, deferred-payment forgivable loan, with the principal reducing every year that the unit is occupied by an eligible household. No more than fifty percent (50%) of the NSP-R permanently financed units in a project may receive deferred-forgivable financing.

(c) Single family homes leased to households at or below 30% of the Area Median Income will be eligible for zero percent (0%) interest, deferred forgivable financing of no more than $30,000 per unit. The principal balance of the subordinate notes will be reduced proportionately every year that the home is occupied by an eligible household.

(d) At least 20% of the units in an assisted development must be leased to households at or below 120% of the Area Median Income in order for any units to eligible for NSP-R permanent financing, regardless of affordability. Units leased to households over 50% of the Area Median Income are not eligible for permanent NSP-R financing.

2. Eligible property types are limited to single-family homes and residential property including condominium units, cooperative units in mutual housing projects and multifamily residential property.
3. The maximum per-unit subsidy amount and subsidy layering allowable under the HOME Program using Section 221(d)3 limits as defined as 24 CFR §92.250 will apply. The TDHCA underwriting guidelines in 10 TAC §1.32 will be used, which set as a feasibility criterion a 1.15 debt coverage ratio minimum.
4. Properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, prohibit the discrimination of renters using Section 8 Housing Choice Vouchers, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.
5. Minimum affordability period requirements will apply to all assisted units. The affordability period for NSP-R permanently financed affordable units will be a minimum of 30 years.

NONE AT THE TIME OF THIS POSTING

**Community Affairs Division**
**BOARD ACTION REQUEST**
**November 10, 2010**

## RECOMMENDED ACTION

Presentation, Discussion, and Possible Action for publication in the *Texas Register* of final orders adopting amendments to 10 TAC Chapter 5, Subchapter H, Section 8 Housing Choice Voucher Program, §5.801, Project Access Initiative concerning the Project Access Initiative.

> **RESOLVED**, that the adoption of the proposed amendments to 10 TAC Chapter 5, Subchapter H, §5.801, Section 8 Housing Choice Voucher Program, regulations related to the Project Access Program is hereby ordered and it is approved, together with the preamble presented to this meeting, for publishing in the *Texas Register*.
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the Project Access rule, in the form presented to this meeting, to be published in the *Texas Register* for final adoption, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## BACKGROUND

Attached behind this Board Action Item is the Project Access Program rule proposed for final adoption. Project Access was originally a housing voucher pilot program developed by HUD and the U.S. Department of Health and Human Services (HHS). The goal of the pilot program was to assist low-income nonelderly persons with disabilities to transition from institutions into the community by providing access to affordable housing and necessary supportive services. The Department applied for the pilot program and received 35 Section 8 housing vouchers from HUD in 2001. After the expiration of the HUD pilot program in 2003, the Department elected to continue the program in recognition of housing need and expressed public interest and has continued to operate the program since that time with periodic increases in the number of Project Access vouchers.

Currently, the Department works closely with the Texas Department of Aging and Disability Services in outreach and identification of program participants. The number of Project Access vouchers administered by the Department increased from 50 to 60 in January 2010. The PHA Plan approved by the Board of Directors on June 28, 2010 outlines an increase for the 2011 Annual Public Housing Agency (PHA) Plan from 60 to 100 vouchers. The Department is awaiting approval of the PHA Plan from HUD by end of 2010.

Original changes to the rule included an administrative correction that reinserts two definitions for the Project Access Program, including the definition of an At-Risk Applicant. In addition, the Department had received feedback from the Disability Advisory Workgroup and the Promoting Independence Advisory Committee that some portion of the Project Access vouchers, which historically have been utilized for only non-elderly, should be made available to serve persons with disabilities at or over the age of 62. In tandem with the increase in vouchers from 60 to 100 in the PHA Plan, the Department is using this opportunity to designate that 20 percent of Project Access vouchers be reserved for persons at or over the age of 62, due to the great need for affordable housing among this aging population transitioning out of institutions.

The draft rule was published in the *Texas Register* and released to the public for comment. The public comment period was from August 6, 2010 through September 6, 2010. The Department received no comments on the draft rule.

Staff is proposing one change from the proposed draft rule to clarify that 20 percent of vouchers will be reserved for those "at or" over the age of 62, not just over the age of 62, as well as other minor administrative changes. Fifty seven percent of the nursing facility population that chooses to relocate back into the community is over the age of 60, according to the Texas Department of Aging and Disability Services. With this rule change, 80 percent of the vouchers will continue to be reserved for those under the age of 62, the population historically served by the Project Access program.

**Attachment A: Preamble, Reasoned Response, and Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC, Chapter 5, Subchapter H, §5.801, Project Access Initiative with changes to text as published in the *Texas Register* on August 6, 2010 (35 TexReg 6744).

Project Access was originally a housing voucher pilot program developed by HUD and the U.S. Department of Health and Human Services (HHS). The goal of the pilot program was to assist low-income nonelderly persons with disabilities to transition from institutions into the community by providing access to affordable housing and necessary supportive services. The Department applied for the pilot program and received 35 Section 8 housing vouchers from HUD in 2001. After the expiration of the HUD pilot program in 2003, the Department elected to continue the program in recognition of housing need and expressed public interest and has continued to operate the program since that time with periodic increases in the number of Project Access vouchers.

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The Board approved the final order adopting the amended sections on November 10, 2010.

The amendments are adopted pursuant to the authority Chapter 2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

§5.801. Project Access Initiative.

(a) Purpose. Project Access is a program that utilizes federal Section 8 Housing Choice Vouchers administered by the Department to assist low-income persons with disabilities in transitioning from institutions into the community by providing access to affordable housing.

(b) Definitions.

(1) Section 8--The United States Department of Housing and Urban Development Section 8 Housing Choice Voucher Program administered by the Texas Department of Housing and Community Affairs (the "Department").

(2) At-Risk Applicant--Applicant that meets the ~~following~~ criteria in subparagraphs (A) and (B) of this paragraph:

(A) current recipient of Tenant-Based Rental Assistance from the Department's HOME Investments Partnership Program; and

(B) within one-hundred-twenty (120) days prior to expiration of assistance.

(c) Regulations Governing Program. All Section 8 Program rules and regulations apply to the program.

(d) Program Design. Twenty percent of Project Access Vouchers will be reserved for persons meeting the Project Access eligibility criteria at or over the age of sixty-two (62) at the time of voucher issuance and eighty percent will be reserved for persons meeting the eligibility criteria under the age of sixty-two (62) at the time of voucher issuance. The number of Project Access Vouchers that correlate with the 20%/80% division will be determined each year in the Departmental Annual Public Housing Agency (PHA) ~~PHA~~ Plan.

(e) Project Access Eligibility Criteria. A Project Access voucher recipient must meet all Section 8 eligibility criteria as well as meet all of the ~~following~~ eligibility criteria in paragraphs (1) and (2) of this subsection:

(1) have a permanent disability as defined in §223 of the Social Security Code or be determined to have a physical, mental, or emotional disability that is expected to be of long-continued and indefinite duration that impedes one's ability to live independently;

(2) meet one of the ~~following~~ criteria in subparagraphs (A) and (B) of this paragraph:

(A) be an At-Risk Applicant and a previous resident of a nursing facility, intermediate care facility, or board and care facility as defined by the U.S. Department of Housing and Urban Development (HUD); or

(B) be a current resident of a nursing facility, intermediate care facility, or board and care facility at the time of voucher issuance as defined by HUD.

**HOME PROGRAM DIVISON**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Presentation, Discussion, and Possible Action to publish proposed amendments to the rule for the HOME Program, 10 Texas Administrative Code Chapter 53, Subchapters B, C, D, and H for public comment and publication in the *Texas Register.*

> **WHEREAS**, HUD has suspended Match requirements until August 31, 2011; and
>
> **WHEREAS**, changes to the QAP result in some outdated references thereto in the existing HOME Program Rule, be it hereby:
>
> **RESOLVED**, that the proposed amendments to the rule for the HOME Program, 10 Texas Administrative Code Chapter 53, Subchapters B, C, D, and H are ordered and approved, together with the preambles presented to this meeting, for publishing in the *Texas Register.*
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the draft amendments to the rule for the HOME Program, in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## Background

Staff recommends amendments to the HOME Program Rule that was published in the *Texas Register* on September 24, 2010 as follows:

- A suspension of Match requirements for the Homeowner Rehabilitation Assistance (HRA) and Homebuyer Assistance (HBA) Program Activities until August 31, 2011. The U.S. Department of Housing and Urban Development (HUD) released the list of Federal fiscal year match reductions for Participating Jurisdictions (PJs). All PJs must contribute or match 25 cents for each dollar of HOME funds spent on affordable housing. The match liability is incurred as the Department draws HOME funds for expenditures and must be satisfied by the end of each Federal fiscal year. The Department received a 100% match reduction for Federal Fiscal Year 2009 expenditures due to fiscal distress. Since most HOME Contract Administrators are located in and serving rural areas of the State and match contributions have become increasingly difficult to obtain, staff recommends extending the match reduction to overcome one of the most common challenges cited by Applicants and consultants for applying for the HRA and HBA Program Activities. The Department will continue to report matching contributions to HUD during the annual reporting period in order to carry-forward all eligible match received or contributed by the Department.

- An update to the references to the Qualified Action Plan being recommended for adoption under a separate action item today.
- A clarification of “fixed” versus “floating” units requirements for Multifamily Development Program Activity.

**Attachment A: Preamble and Chapter 53**

The Texas Department of Housing and Community Affairs (the “Department”) proposes amendments to 10 TAC Chapter 53, Subchapter B, §53.26(d), Subchapter C, §53.30(1), Subchapter D, §53.40(1), Subchapter H, §53.80(2) and §53.81(i). These amendments are proposed in order to temporarily suspend match requirements for the Homeowner Rehabilitation Assistance and Homebuyer Assistance Program Activities, update references to the Qualified Action Plan, and clarify “fixed” versus “floating” units requirement for Multifamily Developments.

Mr. Michael Gerber, Executive Director, has determined that for the first five-year period the proposed sections are in effect there will be no fiscal implications for state or local governments as a result of enforcing or administering the sections as proposed.

Mr. Gerber has also determined that for each year of the first five years the sections are in effect the public benefit anticipated as a result of enforcing the sections will be enhanced compliance with formalized policy, all contractual and statutory requirements.

There will be no effect on small businesses or persons. There is no anticipated economic cost to persons who are required to comply with the sections as proposed. The proposed sections will not impact local employment.

The public comment period will be held between November 26, 2010 to December 9, 2010 to receive input on these amendments. Written comments may be submitted to Texas Department of Housing and Community Affairs, 2011 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by e-mail to the following address: tdhcarulecomments@tdhca.state.tx.us, or by fax to (512) 475-0220. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. DECEMBER 9, 2010.

These amendments are proposed pursuant to the authority of the Texas Government Code, §2306.1091(b), which provides the Department the authority to adopt rules governing the administration of the Department and its programs.

The proposed amendments affect no other code, article or statute.

***§53.26. Reservation System Participant (RSP) Agreements.***

(a) Terms of agreement. RSP agreements will have a twenty-four (24) month term for all Program Activities. Execution of an RSP agreement does not guarantee the availability of funds under a reservation system.

(b) Limits on Number of Reservations. The number of Homeowner Rehabilitation, Homebuyer Assistance or Single Family Development reservations for an RSP is limited to five (5) per county within the RSP's Service Area at any given time. The number of Tenant-Based Rental Assistance reservations for an RSP is limited to thirty (30) at any given time.

(c) Extremely Low-Income Households. Except for Households served with HBA or SFD funds, each RSP will be required to serve at least one (1) Household at or below 30% of AMFI out of every four (4) Households submitted and approved for assistance.

(d) Match. The requirements of this subsection are waived until August 31, 2011. An RSP must meet the tiered Match requirements per Program Activity for at least every fourth Household submitted and approved for assistance. For example, if Match is not provided for the first three (3) Households assisted by an RSP, the Match provided to the fourth Household must meet the Match requirement for all four (4) Households. (e) Completion of Construction. For Activities involving construction, an RSP must complete construction and submit all requests for disbursement within nine (9) months from the Commitment of Funds for the Activity.

(f) Extensions. The Division Director may approve one three (3) month time extension to the Commitment of Funds to allow for the completion of construction and submission of requests for disbursement.

(g) An RSP must remain in good standing with the Department, the State of Texas, and HUD. If an RSP is not in good standing, participation in the reservation system will be suspended and may result in termination of the RSP agreement.

***§53.30. Homeowner Rehabilitation Assistance (HRA) Program Threshold and Selection Criteria.***

All Applicants and Applications must submit or comply with the following:

(1) The requirements of this subsection are waived until August 31, 2011. An itemized schedule of the proposed Match and evidence to support the Applicant's ability to provide the required Match. For Applications submitted to become an RSP, the Department may withhold disbursements if after every four reservations sufficient Match documentation has not been provided. The Department shall use population figures from the most recently available U.S. Census to determine the applicable tier for an Application. The Department may incentivize or provide preference to Applicants committing to provide additional Match above the requirement of this subsection. Such incentives may be established in the form of a threshold or selection criteria and may be different for each Program Activity. Except for Applications for disaster relief, Match shall be required based on the following tiers:

(A) zero percent of Project funds if serving a city of less than 3,000 Persons or an unincorporated area of a county with less than 20,000 Persons;

(B) ten percent of Project funds if serving a city of between 3,001 and 5,000 Persons or an unincorporated area of a county of between than 20,001 and 75,000 Persons; and

(C) twelve and one-half percent of Project funds for all other applications.

(2) Documentation of a commitment of at least $80,000 or for a Contract award 80% of the award amount, whichever is less, in cash reserves to facilitate administration of the program and to ensure the capacity to cover costs prior to reimbursement or costs determined to be ineligible for reimbursement. Evidence of this commitment and the amount of the commitment must be included in the Applicant's resolution. To meet this requirement, Applicants must submit:

(A) Financial statements indicating adequate local unrestricted cash or cash equivalents to utilize as cash reserves and a letter from the Applicant's bank(s) or financial institution(s) indicating that current account balances are sufficient; or

(B) Evidence of an available line of credit or equivalent in an amount equal to or exceeding the above requirement; or

(C) The CPA opinion letter from the most recent audit and a statement from the CPA that indicates, based on past experience with grant programs and past audits, the applicant has in place the best practices and financial capacity necessary in order to effectively administer a HOME Program award.

(3) Housing construction plans must be certified by a licensed architect. The Department may procure and make architect certified plans available.

(A) The Department will reimburse only for the first time a set of architectural plans are used unless any subsequent site specific fees are paid to a Third Party architect, or a licensed engineer; and

(B) A NOFA may include incentives or otherwise require architectural plans to incorporate "green building" elements.

### *§53.40. Homebuyer Assistance (HBA) Threshold and Selection Criteria.*

All Applicants and Applications must submit or comply with the following:

(1) <u>The requirements of this subsection are waived until August 31, 2011.</u> An itemized schedule of the proposed Match and evidence to support the Applicant's ability to provide the required Match. The Department may not require such support at the time an Application is submitted when the funds are made available under a reservation system. Except for Applications for disaster relief and Persons with Disabilities set-asides, the amount of Match required must be at least 5% of Project funds requested. The Department may incentivize or provide preference to Applicants committing to provide additional Match above the requirement of this subsection. Such incentives may be established in the form of a threshold or selection criteria and may be different for each Program Activity.

(2) Documentation of a commitment of at least $80,000 or for a Contract award 100% of the award amount, whichever is less, in cash reserves to facilitate administration of the

program and to ensure the capacity to cover costs prior to reimbursement or costs determined to be ineligible for reimbursement. Evidence of this commitment and the amount of the commitment must be included in the Applicant's resolution. To meet this requirement, Applicants must submit:

(A) Financial statements indicating adequate local unrestricted cash or cash equivalents to utilize as cash reserves and a letter from the Applicant's bank(s) or financial institution(s) indicating that current account balances are sufficient; or

(B) Evidence of an available line of credit or equivalent in an amount equal to or exceeding the above requirement; or

(C) The CPA opinion letter from the most recent audit and a statement from the CPA that indicates, based on past experience with grant programs and past audits, the applicant has in place the best practices and financial capacity necessary in order to effectively administer a HOME Program award.

***§53.80. Multifamily (Rental Housing) Development (MFD) Threshold and Selection Criteria.***

All Applicants and Applications must submit or comply with the following:

(1) If the total of Department loans equals more than 50% of the total development cost, except for developments also financed with USDA funds, the Applicant must provide:

(A) Evidence of a line of credit or equivalent financing equal to at least 10% of the total development cost from a financial institution that is available for use during the proposed development activities; or

(B) A letter from a third party CPA verifying the capacity of the owner or developer to provide at least 10% of the total development cost as a short term loan for development; and

(C) A letter from the developer's or owner's bank(s) confirming funds amounting to 10% of the total development cost are available.

(2) Applications must comply with all of the current Qualified Allocation Plan in effect at the time of Application's submission at ~~§49.9 or §50.9(h) of this title, excluding paragraphs (4)(A), (J), (8)(A)(ii), (11), (12), (14)(G) and (15) and the requirements of §53.81 of this chapter, and all other federal and state rules.~~§49.8 or §50.8 of this title except as follows for Applications not also seeking an allocation of housing tax credits or tax-exempt bonds:

(A) The “Application Acceptance Period,” “Resolutions Delivery Date,” and “Third Party Reports Delivery Date” shall be replaced with the date that the Application for HOME funds is submitted to the Department;

(B) The date of “Commitment” and shall mean the date the HOME “Contract” is executed;

(C) The date of “10% Test Certification” and “Cost Certification” shall mean prior to release of retainage;

(D) The threshold requirement for Site Control in (8)(A) must be valid for 120 days from the date that the Application is submitted with an option to extend at least ninety (90) days.

(3) Except for applications awarded under the Persons with Disabilities set-aside or USDA §515 applications, Match equal to 2% of the HOME award must be provided. Documentation of the Applicant's ability to meet this requirement shall be required in the Application in the form of a commitment from the organization providing the Match. The Department may incentivize or provide preference to Applicants committing to provide additional Match above the requirement of this subsection. Such incentive may be established in the form of a Threshold or Selection scoring criterion. Match in the form of a property tax abatement will only be accepted if a letter from the applicable appraisal district is provided and such letter documents a cash value and duration for such exemption sufficient to meet the HUD requirements for documentation of Match.

(4) The maximum HOME award may not exceed 90% of the total development costs ("TDC") unless a resolution of support for the development is made by the local unit of government in which the proposed development resides and/or the proposed development is located in an area where the HUD Fair Market Rents are equal to the respective HOME Rent Limit for a one-bedroom unit but will be limited as reflected in Figure: 10 TAC §53.80(4). The remaining percentage of total development cost must be in the form of permanent loans with a maturity of at least twenty (20) years, in-kind contributions or grants from third-party private or public entities. Developments with USDA or other government-sponsored loans that will remain as permanent financing may be used to satisfy this requirement from a public or private entity. Loans or grants from the Department will not satisfy this requirement.

Figure: 10 TAC §53.80(4)

| **Rent** | **Resolution from Local Government** | **Maximum Award as % of TDC** | **% of TDC from other sources** |
|---|---|---|---|
| FMR greater than High Home | No | 90% | 10% |
| FMR greater than High Home | Yes | 92% | 8% |
| FMR equal to High Home | No | 93% | 7% |
| FMR equal to High Home | Yes | 95% | 5% |

| | | | |
|---|---|---|---|
| FMR equal to Low Home | No | 96% | 4% |
| FMR equal to Low Home | Yes | 98% | 2% |

(5) For Applications proposing New Construction, documentation sufficient to meet the Site and Neighborhood Standards required in 24 CFR §92.202

### *§53.81. Multifamily (Rental Housing) Development (MFD) Program Requirements.*

(a) Eligible activities include the acquisition or refinancing and New Construction or Rehabilitation of multifamily housing Developments. Housing assisted with HOME funds must meet all applicable codes and standards. Additionally, the Development must meet or exceed the requirements of the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or if no local building codes are in place then to the most recent version of the International Building Code.

(b) Developments involving New Construction will be limited to no more than 252 total units. This maximum unit limitation also applies to those Developments which involve a combination of Rehabilitation and New Construction. Developments that consist solely of acquisition and Rehabilitation or Reconstruction only may exceed the maximum unit restrictions. The minimum number of units shall be 8 units.

(c) This Program Activity is a CHDO-eligible activity.

(d) A Development receiving funds under this section shall have a LURA filed and recorded at the time of Loan closing and prior to any disbursement of HOME funds. The Department may require that a second LURA be filed and recorded if the restrictions to be placed on the Development exceed those of the federal requirements. Such second LURA shall include all of the requirements that exceed the federally required restrictions.

(e) In addition to the federal restrictions, Developments receiving funds under this section must meet the following rent and income restrictions:

(1) At least 20% of the total number of units in the Development must be restricted as HOME units;

(2) At least 5% of the total number of units in the Development must be set-aside for households at or below 30% of AMFI and must have rent restrictions at 30% of AMFI; and

(3) Developments receiving funds under the Persons with Disabilities set-aside are not required to meet the requirements under paragraph (1) or (2) of this subsection but must restrict all HOME units at 50% of AMFI or below and at least 5% of the HOME units at 30% of AMFI or below.

(f) Project funds awarded to Developments under this section shall be structured in the form of a loan or loans as follows:

(1) The interest rate may be as low as 2% provided all requirements of this chapter and §1.32 of this title are met. To the extent that Match in an amount of 5% or more of the HOME funds is provided, an interest rate as low as 0% may be requested;

(2) Unless structured only as an interim construction or bridge loan, the loan term shall be no less than fifteen (15) years and no greater than forty (40) years and the amortization schedule shall be no less than twenty (20) years and no greater than forty (40) years;

(3) The loan shall be structured with a regular monthly payment beginning at the end of the construction period and continuing for the loan term. If the first lien mortgage is a federally insured HUD or FHA mortgage, the Department may approve a loan structure with annual payments payable from surplus cashflow provided that the debt coverage ratio, inclusive of the loan, continues to meet the requirements in §1.32 of this title. The Board may also approve, on a case-by-case basis, a cashflow loan structure provided it determines that the financial risk is outweighed by the need for the proposed housing; and

(4) The loan shall have a deed of trust with a lien position consistent with the principal amount of the loan in relation to the principal amounts of the other sources of financing. Notwithstanding the foregoing, the loan shall have a lien position that is superior to any other sources of financing that have soft repayment structures, non-amortizing balloon notes, are deferred forgivable loans or in which the lender has an Identity of Interest with any member of the development team. The Board may also approve, on a case-by-case basis, an alternative lien priority provided it determines that the financial risk is outweighed by the need for the proposed housing.

(g) Closing on the Loan shall be conditioned upon the occurrence of closing with any superior lien holders or any other sources of funds determined to be necessary for the long-term financial feasibility of the Development and all due diligence determined by the Department to be prudent and necessary to meet the Department's rules, the HOME Final Rule, and to secure the interests of the Department.

(h) When Department funds have a first lien position, assurance of completion of the development in the form of payment and performance bonds in the full amount of the construction contract will be required or equivalent guarantee in the sole determination of the Department. Such assurance of completion will run to the Department as obligee. Development Owners also utilizing the USDA §515 program are exempt from this requirement but must meet the alternative requirements set forth by USDA.

(i) All HOME units required under this section shall be restricted as "floating" HOME units in accordance with the meaning ascribed by HUD~~ except for units receiving funds for the development of units for persons with disabilities in which case such units shall be designated "fixed" HOME units~~. Development Owner must use its best efforts to distribute units reserved for Low Income Families, Very Low Income Families and Extremely Low Income Families among unit sizes in proportion to the distribution of unit sizes in the Property and to avoid concentration of Low Income Families, Very Low Income Families and Extremely Low Income Families in any area or areas of the Property.

**MULTIFAMILY FINANCE DIVISION**

**BOARD ACTION REQUEST**

**November 10, 2010**

Presentation, Discussion and Possible Action for publication in the *Texas Register* of a final order adopting the repeal of 10 TAC Chapter 49, concerning 2009 Housing Tax Credit Program Qualified Allocation Plan and Rules and final order adopting the new 10 TAC Chapter 49, concerning 2011 Housing Tax Credit Program Qualified Allocation Plan.

## RECOMMENDED ACTION

> **RESOLVED**, that the final order adopting the repeal and final order adopting the new rule for the Qualified Allocation Plan, 10 TAC, Chapter 49, is hereby ordered and it is approved, together with the preamble presented to this meeting, for publication in the *Texas Register.*
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the draft Qualified Allocation Plan, together with the preamble in the form presented to this meeting, to be delivered to the Governor, prior to November 15th for his review and approval and to cause the Qualified Allocation Plan, as approved by the Governor, to be published in the *Texas Register* and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## BACKGROUND

The Board approved the Draft Qualified Allocation Plan at the September meeting to be published in order to receive public comment. In keeping with the requirements of the Administrative Procedures Act, staff has reviewed all comments received and provided a reasoned response to each comment received. Staff has listed the areas below that received the most comment.

1. §49.4(a)(9) – Ineligible Applicants – Voluntarily or Involuntarily Removal
2. §49.4(c)(8) – Ineligible Developments – Unit Maximum Percentages
3. §49.5(b) – Credit Amount - $2 Million Credit Cap
4. §49.5(d) – Developments Proposing to Qualify for the 30% boost in Eligible Basis
5. §49.8(14) – Supplemental Threshold Reports
6. §49.9(a)(7) – Rent Levels of the Units
7. §49.9(a)(13) – Community Revitalization, Historic Preservation or Rehabilitation

**Attachment A: Preamble, Reasoned Response, and New Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts new 10 TAC, Chapter 49, §§49.1 – 49.17 concerning the 2011 Housing Tax Credit Program Qualified Allocation Plan. Sections 49.3 – 49.9 is adopted with changes to text as published in the *Texas Register* on September 24, 2010 (35 TexReg 8593). Sections 49.1 – 49.2, 49.10 – 49.17 are adopted without change and will not be republished.

The Texas Department of Housing and Community Affairs (the "Department") accepted comments to the proposed rule in writing and by email. This document provides the Department's response to all comments received. Comments and responses are presented in the order they appear in the rules.

Public comments were accepted through October 23, 2010 with comments received from (1) Joe Chamy, Chamy Investments, (2) S. Anderson Consulting and S2A Development Consulting, (3) Donna Rickenbacker, Marque Real Estate Consultants, (4) Hal Fairbanks, HRI Properties, (5) Rafael Anchia, State Representative, District 103, (6) Debra Guerrero, NRP Group, (7) Diana McIver, TAAHP, (8) Ben E. Brewer III, Downtown Alliance San Antonio, (9) Barry Kahn, (10) Bill Fisher, Odyssey Residential, (11) Ben Medina, City of Brownsville, (12) Darrell G. Jack, Apartment MarketData, LLC, (13) Barry Halla, Life Rebuilders, (14) Sara Andre, (15) Robert H. (Bob) Sherman, SBG Development Services, L.P, (16) Rollette Schreckenghost, San Antonio Conservation Society, (17) Albert E. Magill, III San Jacinto Realty Services, LLC, (18) Terry Coyne, Community Preservation Partners, (19) Jerry Madden, State Representative, District 67, (20) Michael Bodaken, National Housing Trust, (21) Bobby Bowling IV, Tropicana Building Corporation, (22) Veronica Gonzales, State Representative, District 41, (23) Andrew M. Taft, Downtown Fort Worth, Inc., (24) Marilyn Hartman, National Alliance on Mental Illness Austin (NAMI), (25) Belinda Carlton, Texas Council for Developmental Disabilities, (26) Bryan Hughes, State Representative, District 5, (27) Jean Latsha, National Farm Workers Service Center, Inc. (28) Cynthia Bast, Locke Lord Bissell & Liddell, (29) Barry Palmer, Coats Rose, (30) Texas Supportive Housing Coalition, (31) Charlie F. Howard, State Representative, District 26, (32) John Henneberger, Texas Low Income Housing Information Service, (33) J. Anthony Sisk, Churchill Residential, (34) Barbara Holston, Fort Worth Housing Authority, (35) Kathy Tyler, Motivation, Education & Training, Inc. (MET), (36) Ken Paxton, State Representative, District 70, (37) Edmund Kuempel, State Representative, District 44, (38) Colby Denison, Denison Development and Construction.

The comments and responses include both administrative clarifications and corrections to the QAP recommended by staff and substantive comments on the QAP and the corresponding Departmental responses. Comments and responses are presented in the order they appear in the QAP. After each comment title, numbers are shown in parentheses. These numbers refer to the person or entity that made the comment as reflected in the Addendum. If comment resulted in recommended language changes to the Draft QAP as presented to the Board in September, such changes are indicated. Copies of the comment letters submitted are provided in this presentation.

REASONED RESPONSE TO PUBLIC COMMENT ON THE PROPOSED ADOPTION OF 10 TAC CHAPTER 49, 2011 QUALIFIED ALLOCATION PLAN

**1. §49 – General – No specific part of the QAP referenced in comment (10)**
**Comment Summary:**
Commenter suggests preference be given in the QAP to affordable housing developments that pay property taxes over those that are property tax-exempt.

**Staff Response:**
Staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment; therefore, staff does not recommend any changes.

*Staff recommends no change based on this comment.*

**2. §49 – General – No specific part of the QAP referenced in comment (20)**
**Comment Summary:**
Commenter encourages the Department to target Weatherization Assistance Program funds for use in existing affordable housing pursuing tax credits and suggests the low income families and seniors in multifamily housing have an opportunity to benefit from weatherization investments.

**Staff Response:**
Weatherization Assistance Program funds are utilized on a unit-by-unit cost effective basis rather than Development-wide. Weatherization funds are intended to assist development on a single family level rather than multifamily Developments.

*Staff recommends no change based on this comment.*

**3. §49 – General – No specific part of the QAP referenced in comment (10)**
**Comment Summary:**
Commenter suggests the Board should have clear and broad authority to waive any rule or any staff recommendation for good cause in regard to anything involving the QAP.

**Staff Response:**
Staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment; therefore, staff does not recommend any changes. It should be noted that there are some provisions in the 2011 QAP that are statutorily mandated and therefore, do not allow the Board the ability to waive. Moreover, there are applicable sections in the QAP that allow, for good cause, the Executive Director to waive.

*Staff recommends no change based on this comment.*

**4. §49.2 – Definitions – Intergenerational Housing (3), (32)**
**Comment Summary:**
Commenter (3), (32) suggests the Board reconsider removing this development option from consideration. Commenter (3) suggests that Intergenerational Housing is a viable alternative development type that has social benefits to the residents. The inclusion of these age groups supports family cohesiveness in instances where seniors want to live close to their families. It also improves the feasibility of the operations of the senior component and likelihood of providing housing to seniors in markets with low rents. Commenter (32) suggests there are too many senior applications submitted and approved relative to family Development and states that in 2009, 40% of the regionally allocated developments funded were Qualified Elderly Developments and that according to data provided by the Texas State Data center, in 2007 only 12% of the Texas population was 62 or older. Commenter (32) suggests that the Department's policy should be to encourage Intergenerational Developments and that to accomplish this incentives for elderly segregated housing in the QAP should be reduced, perhaps by awarding points directly to intergenerational or family housing.

**Staff Response:**
While the definition for Intergenerational Housing and related provisions has been removed from the QAP the Department will still accept such applications and evaluate based on the Department's Intergenerational Housing Policy. The Policy was established by the Board to neither encourage nor discourage Intergenerational housing per se, but only to provide guidance on how they may exist and remain eligible for funding. Staff believes incentivizing this Development type will, among other things, lead to a less efficient allocation of credit because of the duplication of common areas, leasing activity and smaller Development size for each independent sub-Development in an Intergenerational Development.

*Staff recommends no change based on this comment.*

**5. §49.2 – Definitions – Qualified Nonprofit Development (13)**
**Comment Summary:**
Commenter suggested the definition for Qualified Nonprofit Development only mentions that the nonprofit must materially participate in the Development and does not state anything about control; whereas the nonprofit set-aside requires the nonprofit be in control and materially participate. Commenter requested clarification on the conflicting language.

**Staff Response:**
The definition for a Qualified Nonprofit Development states that the Development must include a Qualified Nonprofit Organization which states the nonprofit must exercise control pursuant to §2306.6706. Therefore, to be eligible for the set-aside the nonprofit must have control of the Development in question. The IRS does not require the nonprofit to exercise control in order to be identified as a Qualified Nonprofit Development for purposes of identification on the IRS Form 8609.

*Staff recommends no change based on this comment.*

**6. §49.4(a)(9) – Ineligible Applicants (28)**
**Comment Summary:**
Commenter suggests this section requires clarification regarding the parties to whom this provision applies. Specifically, the opening paragraph of this section states that it applies to any Applicant, Development Owner, Developer or Guarantor. Then, in subsection (9) reference is made to any Developer or Principal of the Applicant. Commenter suggests that subsection (9) be separated as its own section rather than incorporating it into a larger section on ineligibility with different impacted parties. Commenter also suggests language be added to indicate whether litigation has been instituted and is continuing at the time of Application.

**Staff Response:**
For consistency with the heading of the section on Ineligible Applicants, staff recommends subsection (9) be revised to reflect the following and agrees with commenter on adding language to indicate whether litigation has been instituted and is continuing at the time of Application:

> "(a) Ineligible Applicants. An Applicant is ineligible if any Applicant, Development Owner, Developer or Guarantor involved with the Application:
>
> (9) ~~If the Developer or Principal of the Applicant~~ has been voluntarily or involuntarily removed by a lender, equity provider, or any other owners or investors, however designated, or any combination thereof or if any litigation to effectuate such

> removal ~~is~~has been instituted, and is continuing at the time of Application, the Department shall be promptly notified by the Applicant."

**7. §49.4(a)(9) - Ineligible Applicants (7), (10), (17), (29)**
**Comment Summary:**
Commenter (7) suggests this paragraph be revised in order to provide a more "date certain" timeframe by which Applicants would have been voluntarily or involuntarily removed by a lender or equity provider. Commenter (7) recommends the following revision:

> "If the Developer or Principal of the Applicant has been voluntarily or involuntarily removed by a lender, equity provider, or any other owners or investors, during the previous five (5) years, however designated, or any combination thereof or if any litigation to effectuate such removal is instituted, the Department shall be promptly notified by the Applicant."

In addition, commenter (7) suggests the language be clarified to only apply to situations where the person was acting as a Principal in the transaction where the removal occurred and that the transaction involved residential real estate.

Commenter (28) also suggests the timeframe be limited to removals within the past five years and further suggests an investigation should only be conducted for removals that occurred during a tax credit compliance period. Commenter (28) suggests that only affordable properties should be applicable citing market rate properties as an entirely different kind of real estate and prior experience with market rate properties may not be relevant to performance with regard to affordable properties. Additionally, commenter (28) suggests that the investigation for removal issues should only consider properties in Texas since it would be more difficult for the Department to investigate a removal in another state because the Department does not have relevant knowledge of markets and other conditions in that state. Commenter (28) suggests the term "promptly notified" is vague and recommends the Department structure the requirement in such a way that requires the Applicant to submit a certification at the time of the Application that these conditions exist or not. If there is any change in the accuracy of that certification the Applicant should then be required to notify the Department similar to how they are currently required to notify the Department of any other changes in its Application.

Commenter (28) recommends considering one other factor in the investigation, as noted below:

> "The compliance history of the Development during the time of the Developer's or Principal's involvement."

Commenter (28) believes it would be helpful to cross-reference the Department's rules regarding the debarment list. Applicants should be able to access one source to explain how referrals for debarment are done, what appeal rights are available and what, if any, consequences are associated with debarment.

Commenter (17) suggests inserting language that would only trigger a review by the Department in the instance that the Developer or Principal failed to adhere to a contractual obligation of an Agreement. Commenter (17) suggests the following revision to this section:

> "If the Developer or Principal of the Applicant has been voluntarily or involuntarily removed by a lender, equity provider, or any other owners or investors, for failure to adhere to a contractual obligation, however designated, or any combination thereof or

> if any litigation to effectuate such removal is instituted, the Department shall be promptly notified by the Applicant….
>
> (A) Whether the Developer or Principal has invested more of its financial resources in the Development than ~~it has received from or in connection with the Development;~~ required under the initial contractual obligation.
>
> (B) Whether such Developer or Principal had the ability to address the facts and circumstances that ultimately led to the actual or threatened removal by other means or whether uncooperative parties or other facts and circumstances beyond its control prevented any other such resolution; and
>
> (C) The contributing or causative effect of circumstances beyond such Developer's or Principal's control, such as significant changes in market conditions or a natural disaster."

Commenter (29) suggests that based on comments made on record by the Board, a voluntary sale of the Developer's interest should not trigger ineligibility to participate in the tax credit program. Therefore, commenter (29) requests the term "voluntarily" be removed from the provision. Additionally, commenter (29) suggests language be added that indicates the Executive Director and the Board shall take such circumstances into consideration during the review and suggests language be added that the sale of a developer's interest in the Development does not trigger this provision.

Commenter (10) suggests the Board exclude the voluntarily or involuntarily removal provision completely until there are rules in the QAP that address "bad apple" equity providers citing that the circumstances surrounding the removal are all fact-specific and that many of them are done to avoid litigation.

**Staff Response:**
Staff agrees that a "date certain" timeframe by which the removal, whether voluntarily or involuntarily, had occurred should be clarified as well as the provision being applicable where the person was acting as a Principal in the transaction where the removal occurred. Staff recommends the following revision which includes the previously revised language regarding the parties affected by the removal as well as disclosure if these parties are involved in litigation surrounding a removal at the time of Application.

> "If any Applicant, Development Owner, Developer or Guarantor involved with the Application ~~the Developer or Principal of the Applicant~~ has been voluntarily or involuntarily removed from a rent or income restricted multifamily Development by a lender, equity provider, or any other owners or investors as a Principal during the previous ten (10) years, however designated, or any combination thereof or if any litigation to effectuate such removal ~~is~~has been instituted, and is continuing at the time of Application, the Department shall be promptly notified by the Applicant."

This revision is consistent with the Department's debarment policy which allows for a 10 year prior review regarding performance. Staff believes the Applicant should be required to disclose circumstances of the removal that involved multifamily affordable Developments including whether there was a voluntary sale of the Developer's interest if it was prompted by the lender or investor. Staff will evaluate each circumstance and make recommendations to the Executive Director and the Board. Further comments regarding removal as a result of failure to adhere to a contractual obligation, staff believes these are legalistic and technical in nature and such detail does not need to be specifically mentioned in the QAP. In addition, staff believes that at the time of Application the Applicant would be required to certify that up to that point no removal has occurred. However, should a removal occur after the Application is submitted and prior to the award, the Department would need to be notified.

Staff does not object to commenter (17) suggestion to include “natural disaster” under item (C) of this section. In addition, staff agrees with commenter (28) in including the compliance history of the Development during the time of the Applicant’s, Development Owner’s, Developer’s or Guarantor’s involvement as another factor in the investigation.

In response to commenter (28), should there be an individual listed on the Department’s Debarment list, such list would be posted on the Department’s website. Additionally, the rules, including the process for debarment can be found in the Department’s Debarment Policy in 10 TAC §1.20(g).

**8. §49.4(b)(11) – Ineligible Applications (10), (28), (32)**
**Comment Summary:**
Commenter (10) supports the language in this section which limits deferred developer fees to 50%.

Commenter (28) suggests the location of the limits on deferred developer fees seems inappropriate. Specifically, commenter (28) states that this section, which references ineligibility and debarment, does not seem appropriate for testing whether an application has more than 50% of the developer fee is deferred and suggests this test move to the Threshold section. Moreover, the commenter (28) suggests the Applicant would want to appeal the Department’s conclusion that more than 50% of the developer fee is deferred. Commenter (28) further suggests this section on Ineligible Applications is confusing because of the use of different defined terms and suggests there should be consistency in the application of ineligibility.

Commenter (32) suggests the language in this section threatens unit affordability in order to keep a handful of developers from making a bad financial decision and further suggests the Department address fee deferral regarding financial feasibility through its underwriting.

**Staff Response:**
This requirement is intended to serve as a simple measure for the Applicant to determine if they should proceed. Additionally, Developments with higher levels of deferred developer fee are less likely to be syndicated in the current market. While staff agrees with commenter (28) that debarment should not be the result if more than 50% of the developer fee is deferred, staff does believe that it should warrant the Application ineligible. Staff recommends the beginning of this section be revised to specifically state which items under this section would result in a termination and in addition to a termination which items would result in debarment. As with all other ineligibility items, the Applicant would have the ability to appeal staff’s decision in accordance with the Appeals Process outlined therein.

In response to commenter (28) regarding the inconsistency in defined terms relating to the ineligibility of an Application, staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment. However, staff believes it would be worth addressing in the 2012 QAP.

**9. §49.4(c)(8) - Ineligible Developments (3), (4), (8), (16), (23), (29), (34)**
**Comment Summary:**
Commenter (3), (8), (16), (23) suggest there needs to be flexibility with the maximum unit percentages outlined in this section; specifically if the Applicant is proposing Adaptive Reuse and is constrained by what the building will allow and the type of housing being considered. Commenter (4) suggests in downtown areas there is a high demand for one and to a lesser extent two bedroom

units and markedly less demand for three and four bedroom units. Commenter (29), (34) state that as proposed one and two bedroom units cannot be built without having at least 15% of the Development devoted to three or four bedroom units which is not what the market dictates. Commenter (3), (4), (29), (34) suggest that all Developments located in areas locally defined as a Central Business District or a Downtown Development District be considered an exception from the definition of Ineligible Developments as it relates to the maximum unit percentages. Commenter (16) suggests there should be flexibility regarding underutilized buildings, including historic structures that may be converted into housing, thereby creating more opportunities for people to live in historic buildings and experience the charm of Adaptive Reuse conversions. Commenter (23) suggests flexibility regarding the unit maximum percentages will level the playing field for downtown areas and will increase the potential for center city locations to serve the workforce and decrease the transportation costs borne by those workers. In addition, the use of affordable housing tax credits will also help build the financial gap in the renovation of historic structures.

**Staff Response:**
While preferences for At-risk Developments exist, the Department has not identified Developments located in Central Business Districts or Downtown Development Districts as a Development priority. Staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment; however, staff believes it would be worth addressing in the 2012 QAP.

*Staff recommends no change based on these comments.*

**10. §49.4(c)(11) - Ineligible Developments (3), (6)**
**Comment Summary:**
Commenter (3) requests that Adaptive Reuse Developments be exempt from the negative site characteristics that would make a Development ineligible. Adaptive Reuse of a building usually occurs in higher density Urban areas, Urban Cores and Transit Oriented Districts where active railroad tracks, junkyards, and/or industrial uses may be within 300-yards of the proposed site. Commenter (3) states that Adaptive Reuse supports and enhances a community's efforts to revitalize key Urban areas of their city and potentially serves as a catalyst for removing several negative or unwanted features in these areas. Commenter (6) suggests that the placement of negative features into the section regarding Ineligible Developments is in direct conflict with opportunities to redevelop in the inner city and highly urban areas. Commenter (6) suggests the negative site features should remain as a reduction in the point system and not an automatic prohibition for housing tax credit developments.

**Staff Response:**
As previously mentioned, the Department has not identified Adaptive Reuse as a Development priority that would warrant an exemption from the negative site characteristics. Staff maintains that tax credit Developments, regardless of construction type, should not be located adjacent to the negative site characteristics noted in this section. Finally, staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment.

**11. §49.4(c)(14) - Ineligible Developments (1), (14), (32)**
**Comment Summary:**
Commenter (1) suggests the requirement for all Developments to include exhaust/vent fans (vented to the outside) in bathrooms should only be applicable to new construction Developments. For Rehabilitation Developments, installing the exhaust/vent fans can create some construction issues associated with the number of roof penetrations and consequent weakness to the roof system that are

not only excessively expensive but the structural issues that are created might exceed the long term benefit to the Development.

Commenter (14) suggests Rehabilitation Developments may have difficulty with installing ceiling fans. While the Draft QAP allows for deviations for good cause the commenter (14) requested the Department identify the specific process and clarify exactly what documentation would need to be submitted. Commenter (14) also suggested the Applicant be allowed to submit their request for such a waiver two or three weeks before the applications were due and get a quick turnaround on whether or not the waiver would be granted so that the Applicant can proceed accordingly going forward.

Commenter (32) suggests the additional language added as a result of the September Board meeting requiring that there be fire sprinklers in all Units "where required by local code" be removed from the requirement. Commenter states that the Department has an interest in protecting the lives of the residents of multifamily properties built in the tax credit program wherever the Development is located and further states that extensive data demonstrates that fire-suppression system saves lives.

**Staff Response:**
The Draft QAP includes a provision that deviations for good cause by which any of the amenities listed in this section cannot be provided must be approved prior to the award and that the request for such deviation must be submitted in the Application. The reason for this is to ensure that the Developer has identified the need for all required amenities before the Application is approved for funding so that the cost of the amenity is not subsequently a reason to exclude the amenity. The Executive Director may issue such approvals for such deviation with good cause. Should the request lack information staff feels is needed in order to evaluate the request then additional information will be requested from the Applicant. Staff does not believe evaluating a waiver request absent the application would allow for an accurate evaluation.

The requirement for Developments to be equipped with fire sprinklers "where required by local code" was intended to address single family Developments where fire sprinklers are not mandated by local code. Further consideration of this amenity may be an area to be addressed with the 2012 QAP.

*Staff recommends no change based on these comments.*

**12. §49.5(b) – Credit Amount (3), (6), (7), (21), (29)**
**Comment Summary:**
Commenter (3) suggests the removal of the ability to prorate the credit cap based on the partnership between experienced and inexperienced developers in addition to the removal of the ability of a HUB under §49.9(a)(23) to team up with an experienced developer and not have the experienced developer subject to the credit limitation leaves no option under the Draft QAP for expanding opportunities to inexperienced developers. Commenter (3) also suggests this change is contrary to the Board's intention to bring more developers into the program and recommends reverting back to the 2010 QAP language.

Commenter (7) suggests that, as structured, the language in this section appears to have conflicting definitions relating to a Guarantor and suggested the following change to the language:

> "The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party, Affiliate or Guarantor (unless the Guarantor is ~~also exclusively the Contractor).~~not a Principal of the Development Owner.

In addition, commenter (7) also recommends reinstatement of the proration of the $2 million cap among Joint Venture Partners citing concern that the Draft QAP removes any proration of the cap as it relates to Capacity Joint Ventures between experienced and inexperienced development partners which limit the ability of inexperienced developers to participate in the Housing Tax Credit program. Commenter (29) similarly states that many Developments require the financial backing and guarantees of more than one developer and it seems only fair that in such situations the credit cap should not be allocated in whole to both of the developers.

Commenter (6) requests clarification on whether the cap will be applied to a Guarantor who is exclusively the General Contractor even if the same entity or affiliate also serves as the Development Consultant and receives the fee allowed under the QAP.

Commenter (21) suggests the language in this section be clarified to indicate any forward commitments made from the 2012 Application Round are applied to the credit cap limitation for the 2011 Application Round.

Commenter (28) states that item (5) of this subsection which reads that "…a Person is not deemed to be an Affiliate solely because it….provides or supports the Applicant's financial capacity for the proposed Development" is confusing because it sounds like it would essentially mean a Guarantor. If so, it would be inconsistent with the preceding language in this section which includes the Guarantor in the $2 million cap while item (5) would exclude them.

**Staff Response:**
Staff believes the proposed language in the initial draft is more clearly in line with statutory requirements than a proration approach. Staff agrees that the language could be clarified with respect to those Principals that have control over the Development and recommends the following change:

> "The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party, Affiliate or Guarantor (unless the Guarantor is also ~~exclusively~~ the Contractor, and is not a Principal of the Applicant, Developer, Related Party, or Affiliate of the Development Owner).

Staff made a typographical error on the year in which the forward commitment would count against a Developer for the credit cap and suggests the following change:

> "Competitive Housing Tax Credits approved by the Board during the 2011 calendar year, including commitments from the 2011 Credit Ceiling and forward commitments from the 2012~~2011~~ Credit Ceiling, are applied to the credit cap limitation for the 2011~~2012~~ Application Round."

In response to commenter (6) it would depend on the Development consultant's ability to control the Development. Staff believes it would be difficult to have all three roles and not have some control over the Development.

In response to commenter (28) regarding the conflicting language on whether a Guarantor is included in the calculation of the $2 million cap, staff concurs and recommends that item (5) under this section be removed.

**13. §49.5(c) – Limitations on the Size of Developments (6)**
**Comment Summary:**
Commenter requests clarification on the due date for resolutions required under this section and suggests they be due on April 1, 2011 which is the same due date for all other resolutions.

**Staff Response:**
This section refers to the Resolution Delivery Date as indicated in the Program Calendar under §49.3 which states the resolution is due on April 1, 2011.

*Staff recommends no change based on this comment.*

**14. §49.5(d) – Developments Proposing to Qualify for a 30% Increase in Eligible Basis. (3), (7), (20), (32)**
**Comment Summary:**
Commenter (3) suggests that given the current state of the Private Activity Bond market, such Applications should have the ability to qualify for the 30% increase in eligible basis in paragraphs (2) and (3) of this subsection. Commenter (3) suggests that allowing the boost for Tax Exempt Bond Applications will allow for the expansion of affordable housing in more affluent areas of the State considered high opportunity areas.

Commenter (7), (32) recommend that Development location in an Exemplary or Recognized School Attendance Zone be continued as an eligible category for qualifying for the 30% boost in eligible basis; however, commenter (32) suggests it be revised to exclude magnet schools. Commenter (32) suggests that the criteria for the High Opportunity Area boost for Developments in census tracts with an AMGI that is higher than the AMGI of the county or place is too broad in that almost half of Texans already live in areas meeting the eligibility for this boost. Commenter (32) suggests the following change to the language:

> "A Development that is proposed to be located in a census tract in the top quartile (when ranked by AMFI) of tracts ~~which has an AMGI that is higher than the AMGI of~~in the county in which it is constructed~~or place in which the census tract is located~~…."

Commenter (20) suggests the 30% boost be directed towards the preservation of vital at-risk affordable rental properties located in neighborhoods most affected by the current foreclosure crisis or unable to move forward due to the current volatility in the tax credit market. Commenter (20) supports the incentive in the draft QAP for providing affordable housing in areas with access to public transportation which, among other things, ensures that low-income families have good access to jobs and services.

**Staff Response:**
The H.R. 3221 legislation did not include 4% and Tax Exempt Bond Applications as eligible for the 30% boost in eligible basis under paragraphs (2) and (3) of this subsection. Staff does not believe there is an eligible basis cost increase associated with the Developments proposed to be located in exemplary or recognized school zones to warrant the boost. The QAP still continues to establish a prioritization in the Selection Criteria for Developments located in these zones and the draft QAP as proposed excludes magnet schools or elementary schools with district-wide possibility of enrollment or no defined attendance zones.

While staff appreciates the suggestion requested by commenter (32) to restructure the 30% boost to the top quartile census tracts or as an alternative making this census tract issue and the census tract with no greater than 10% poverty item necessary to achieve the boost, staff believes this change, similar to commenter (20), would result in a substantive change that cannot be changed in the proposed 2011 QAP without having been out for public comment in the required timeframe and believes it would be worth addressing in the 2012 QAP.

*Staff recommends no change based on these comments.*

**15. §49.6(b)(3) – Allocation Process – At-Risk Set-aside (18), (20)**
**Comment Summary:**
Commenter (18) suggests clarification on subparagraph (D) of this section regarding the need for all subsidies on the Development to be "at-risk" in order to qualify under this set-aside. Commenter suggests this may be in conflict with the Department's intent. Commenter (18) provides an example that a Section 236 mortgage note that is eligible for prepayment and a HAP contract that is not up for renewal should not preclude the Development from being considered At-Risk. In addition, commenter (18) suggested removing all of subparagraph (D) since its reference to "financial benefits" is already sufficiently addressed in subparagraph (A).

Commenter (20) supports the Department's 15% set-aside for At-Risk Developments and encourages the Department continue to prioritize applications involving Preservation and Rehabilitation.

**Staff Response:**
It is not the Department's intent to require a Development to be at-risk of losing all subsidies available on the Development and staff agrees with the commenter (18) example in qualifying as an At-Risk Development. Staff agrees that subparagraph (D) is confusing and recommends the following change:

> "Developments must be at risk of losing~~ all~~ affordability from ~~all of ~~the financial benefits available ~~on~~to the Development~~, provided such benefit constitutes a subsidy, described in subparagraph (A) of this paragraph on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph~~ and must retain or renew all possible financial benefit if available, and at least maintain existing affordability to qualify as an At-Risk Development."

**16. §49.8(3) – Rehabilitation Costs per Unit (32)**
**Comment Summary:**
Commenter states that a number of tax-exempt bond Developments have failed in recent years that involved the rehabilitation of older Developments because they failed to provide an adequate level of rehabilitation which undermined the long-term viability of the Development. Commenter suggests the $15,000 per unit rehabilitation threshold is too low and should be increased. Commenter states the Department should include a list of critical major components of the Development that must be brought to a like new condition and suggests an appraiser working for the Department, independent of the Developer, should objectively and independently assess the proposed rehabilitation needs of the Development. Without true substantial rehabilitation a Development should not be financed with housing tax credits.

**Staff Response:**
Staff believes there was insufficient evidence submitted to suggest an alternative amount for rehabilitation costs per unit.

*Staff recommends no change based on this comment.*

**17. §49.8(4) – Experience Certification (3), (13), (15)**
**Comment Summary:**
Commenter (3) suggests the proposed changes to this section requiring the experienced party to the Application have actual previous participation in the program will exclude qualified and experienced multifamily developers from entering the program. This will further limit the pool of potential developers and tax credit developments and the commenter (3) requests last year's language be reinstated.

Commenter (13) requested clarification on whether the limitation of 200 units is restricted to New Construction or just Rehabilitation. Commenter (15) requested clarification on whether the Department was increasing the restriction on qualifying for experience and suggested that the requirements were too broad and that the language from the 2010 QAP should be reinstated.

**Staff Response:**
Staff believes experience with the same construction type as what's being proposed and with the tax credit program is important in determining one's qualifications. In determining whether a Principal qualifies for experience, the Department will require that the experience under which they are claiming is for the same construction type under which they are proposing whether single family, multifamily, new construction or rehabilitation. The Principal must be able to demonstrate experience in connection with a development with at least 80% as many units as the Units for which the Application is being made or at least 200 units. If at least 200 units can be claimed as experience then the 80% test will not be required to be met. The maximum number of units needed for certification is 200 units regardless of the construction type. To clarify this, staff recommends the following change:

> "Persons who establish that they have participated in the development of 200 units or more will not be further restricted by size."

**18. §49.8(5) – Certifications – Amenities (6)**
**Comment Summary:**
Commenter suggests selecting points for scattered site Developments has been difficult because of the requirement that each site have the amenity on site in order to receive the required points. Commenter suggests that an allowance be made if an amenity is located on one of the sites but is available for use by all of the scattered site Developments then each site should be allowed to claim the points toward the threshold requirement.

**Staff Response:**
Staff does not believe non-contiguous single family scattered sites should be required to meet the threshold test of amenities provided at each of the sites and recommends the following change:

> "Applications for non-contiguous scattered site housing, excluding non-contiguous single family sites, ~~including New Construction, Reconstruction, Adaptive Reuse, Rehabilitation, and single family design,~~ will have the threshold test applied based on the number of Units per individual site, and must submit a separate certification for each individual site under control by the Applicant."

**19. §49.8(5)(A)(9) – Certifications – Green Building Amenities (13), (20)**
**Comment Summary:**
Commenter (13) requested clarification on whether the sub-metering of utilities included both electricity and water or just electricity.

Commenter (20) supports the Department's inclusion of the green building amenities, healthy building materials and energy efficient design features in the threshold and selection criteria.

**Staff Response:**
Staff agrees that clarification is needed and proposes the following change indicating the Applicant can sub-meter for either water or electricity:

> "Sub-metered utility meters for any utility in a ~~on~~ Rehabilitation Development which was not already sub-metered at the time of Application; ~~without existing sub-meters;~~"

**20. §49.8(5)(N) – Certifications (27), (32), (35)**
**Comment Summary:**
Commenter (27), (32), (35) suggest language be added to affirmatively market to farm workers as well as veterans. Commenter (32), (35) suggest the following change to the language:

> "A certification that the Development Owner will affirmatively market to veterans and farm workers (as defined by USDA) through direct marketing or contracts with veteran's organizations and organizations that serve farm workers…."

**Staff Response:**
Staff believes this change would likely make some urban Developments ineligible and could result in falsely signing a certification. Moreover, staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment.

*Staff recommends no change based on this comment.*

**21. §49.8(5)(O) – Certifications (9)**
**Comment Summary:**
Commenter suggested there needs to be a certain period of time associated with this certification. Commenter suggested the time limit required by Fannie Mae and Freddie Mac is 10 years, but suggested the Department impose a period shorter than 10 years.

**Staff Response:**
Staff agrees there should be a date certain period of time associated with the voluntary or involuntary removal by a lender, equity provider, etc. and has addressed this in the Ineligible Applicant section, recommending a 10 year period of review as previously mentioned.

**22. §49.8(9)(B) – Signage Requirement (32)**
**Comment Summary:**
Commenter supports the proposed change of the required language in the signage requirements stating that it is more neutral than the previous language and represents an improvement over the status quo. However, the commenter suggests that the signage requirement in the QAP does not appear to be statutorily required and retains the possibility of adversely affecting the state's progress toward affirmatively addressing fair housing. Developments receiving housing tax credit funding

should be held to the same notification standards as other residential developments and commenter suggests any public notice provisions not required by state law should be struck from the QAP.

**Staff Response:**
Staff appreciates the comment supporting the proposed change. Staff believes that notice by signage provides a marketing opportunity for the proposed Development.

*Staff recommends no change based on this comment.*

**23. §49.8(14)(A) - (D) – Supplemental Threshold Reports (9), (12), (21), (32)**
**Comment Summary:**
Commenter (9), (12), (21) suggest the due date for the third party reports should be changed back to April 1. Commenter (12) indicates that Applicants want to review the list of pre-application scores to see if their application would be competitive before engaging any of the third party reports. Given a deadline of March 1 this would not give the provider enough time to guarantee delivery of the reports. Commenter (12) suggests that market analysts need the additional 30 days beyond the deadline for the Application to ensure any last minute changes to the unit mix and/or rents are incorporated in the final market study. Without this additional time, the Department is likely to see market studies that do not match the Application. In addition, commenter (12) suggests that HOME funded Applications already have a March 1 deadline for third party reports and are prioritized by Department staff before non-HOME funded Applications; therefore, according to the commenter (12), third party reports on non-HOME funded Applications do not need to be submitted by March 1.

Commenter (32) suggests the QAP should require independent market analyses and appraisals. Since the market analyst is chosen by a party with an interest in the outcome the market analysis is not seen as truly independent by community organizations and local elected officials and, similarly with the appraisals, the public may lack confidence in the value provided by that professional. Commenter (32) suggests the Department could pay for the engagement with a fee charged to the developer and cited the Florida Housing Finance Corporation as an example of a state that uses such a system and relies upon it in its housing tax credit underwriting process.

**Staff Response:**
Staff recommends the deadline remain March 1 for Environmental Site Assessments, Property Condition Assessments and Appraisals (if applicable) and staff recommends the deadline for the Market Analyses revert to the April 1 deadline as reflected in the 2010 QAP.

In response to comment (32) suggesting market analyses and appraisals come from independent Third Party providers, staff believes this change, along with proposing a revised fee structure presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment; therefore, staff does not recommend any changes.

**24. §49.9(a) – Selection Criteria (32)**
**Comment Summary:**
Commenter suggests the minimum final score threshold be raised 10% from 118 to 130 and that this threshold be applied across all set-asides. At-Risk applications currently have a set-aside of 15% under the statute and in many years, according to the commenter, the demand for these credits has been less than 15% which results in applications with relatively low scores getting funded in this set-aside because of lack of competition. Commenter further states that the reason for the At-Risk set-aside should be to preserve high-quality existing housing and preserve the subsidies on those Developments. As a result, the minimum threshold criteria for all Developments, including those in

the At-Risk set-aside should include evidence the Development will provide high quality housing to its residents.

**Staff Response:**
As proposed, the total of all points available would suggest a maximum score potential of 225. Last year the lowest scoring Application to receive an award scored approximately 65% of last year's maximum. A score of 130 which represents 57% of this year's maximum where a 118 represents 52% of the maximum. Staff concurs and recommends the increase in the minimum score across all applications and set-asides from 118 to 130 points.

**25. §49.9(a)(2) – Selection Criteria - Quantifiable Community Participation (7), (11), (30), (32)**
**Comment Summary:**
Commenter (7) suggests this scoring item be modified to create a separate scoring category in instances where the Applicant can provide supporting documentation that no neighborhood association exists that includes the subject site. Such modification would allow an Application to be eligible for 18 points where a neighborhood organization does not exist which is more points than the situation where a neighborhood organization exists but is neutral but fewer points than where a neighborhood organization exists and supports the Development. Commenter (7) believes such recommendation is consistent with the recent recommendations of the Sunset Committee.

Commenter (11) suggests the Department investigate whether there can be different points awarded for new neighborhood associations that are being formed solely for purposes of the tax credit application.

Commenter (30) suggests this scoring item requires legislative action that should be supported by the Department and other stakeholders as a result of the following issues: the QAP point system for community support obstructs and often bars the Development of high quality supportive housing, the QAP point system for community support raises serious fair housing issues, and the QAP point system for community support uses a flawed and inaccurate method for gauging local support and interests. Commenter (30) cites the findings in the recent Sunset Advisory Commission Staff Report which indicates the neighborhood support process is flawed and often relies on inaccurate letters and recommends giving points for letters from local governments instead of neighborhood organizations of which the commenter strongly supports.

Commenter (32) suggests scoring all applications with an assumption of support unless a negative letter is received and further suggests instructions for neighborhood associations should include a statement that the Department is under an obligation to affirmatively further fair housing and that letters that urge or demonstrate an act that would result in a prohibited act under fair housing laws will not be considered. In addition, commenter (32) suggests the State should limit the scoring of negative points to letters which address specific concerns regarding the specific proposed Development at that location, and not concerns regarding the housing tax credit program in general.

**Staff Response:**
Staff does not recommend that applications in areas where there is no neighborhood organization should qualify for 18 points. At the September Board meeting, the Board requested the scoring from the 2010 QAP be maintained. Staff acknowledges there may be inadequacies relating to the scoring and intent behind this scoring item; however, implementing the most significant of such changes would require a statutory change. Furthermore, investigating the extent to which neighborhood associations are formed purely for the purposes of this scoring item would be difficult to ascertain and such a change is considered substantive in nature that cannot be changed in the proposed 2011 QAP without having been out for public comment in the required timeframe.

*Staff recommends no change based on this comment. However, Staff notes that while the Board recommended the 2010 QAP language be maintained, staff failed to make the correction in the published draft that reflected Applications for which no letters from Neighborhood Organizations are scored will receive a neutral score of 12 points. This change is reflected in the draft presented herein.*

**26. §49.9(a)(5) – Selection Criteria – Commitment of Funding from a Governmental Instrumentality (7), (11)**

**Comment Summary:**

Commenter (7) expressed concerns over use of the new terminology – Unit of General Local Government – rather than the terminology of the statute, Local Political Subdivision and suggests changes to these terms as found in 10 TAC §1.1 regarding the Definitions for Housing Program Activities. Commenter (7) also suggests that in this current economic climate where cities and local governments have severe budget issues, it is not reasonable to demand that communities put scarce resources into affordable housing when such projects may be feasible without such additional funding. Commenter (7) suggests the following changes to the funding levels:

(i) A total contribution of at least \$500 (or \$250 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 12 points;

(ii) A total contribution of \$1,500 (or \$750 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 15 points;

(iii) A total contribution equal to or greater than \$2,500 (or \$1,250 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 18 points.

Additional comment (11) was received suggesting that the Department's underwriting evaluate the need for the soft financing as evidenced in the tax credit application and gap the funds accordingly. In doing so, the commenter believes the local entity would be able to fund other developments that are not tax credit Developments.

**Staff Response:**

Staff does not believe the Board indicated a preference for reducing the funding levels for this scoring item at the September Board meeting. In response to comment (11) staff believes the purpose behind its underwriting is to determine the adequate amount of housing tax credits to ensure financial feasibility and gap any excess accordingly. The local entity contributing funds to a Development should develop a similar practice.

In response to public comment regarding the change in terms from Local Political Subdivision to Unit of General Local Government and specifically the concern over a housing finance corporation's ability to qualify under this scoring item, staff recommends a change, where applicable, from Unit of General Local Government to Governmental Instrumentality. Staff recommends clarification in item (ix) in this section regarding a Unit of General Local Government or its designee or agent as follows:

> " (ix) If not already provided, at the time the executed Commitment is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the Governing Body of the Unit of General Local Government, or its designee or agent, for the Development Funding to the Department. If the funding commitment from the Governmental Instrumentality ~~Unit of General Local Government~~ has not been received by the date the Department's Commitment is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax

credits. If the loss of points would have made the Application noncompetitive, the Commitment will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the Governmental Instrumentalities ~~Unit of General Local Government's~~ Development Funding, the Commitment will be rescinded and the credits reallocated."

**27. §49.9(a)(6) – Selection Criteria – Community Support from State Representative or State Senator (32)**

**Comment Summary:**

Commenter suggests local elected official input for purposes of awarding points to a tax credit Development should only be considered if the local governing body as a whole provides the input. The Department should develop objective standards that would form the basis of the request for elected official input in addition to requiring that all written comments address how the official's recommendation advances or does not advance the state and local government obligation to affirmatively further fair housing. Commenter states that language similar to that of the scoring item for Quantifiable Community Participation regarding "input that evidences unlawful discrimination against classes of persons protected by Fair Housing law or scoring of which the Department determines to be contrary to its efforts for affirmatively further fair housing will not be considered" be added to this scoring item.

**Staff Response:**

Staff believes the legislature has spent much time contemplating the points for letters from elected officials. While a letter that violates law would be called into question staff believes it would be inappropriate to further expand on this section of the rule because of its extensive legislative history.

*Staff recommends no changes based on this comment.*

**28. §49.9(a)(7) – Selection Criteria - The Rent Levels of the Units (2), (3), (29), (32), (33), (38)**

**Comment Summary:**

Commenter (2) suggests that Developments will have difficulty meeting the 65% expense to income ratio with the additional requirements for deeper income targeting to secure the points under this scoring item. In particular, the commenter indicates that the Rio Grande Valley, El Paso and rural areas will struggle with this and other deals that would have normally been strong will have substantial gaps, reducing the overall strength of the deal. Commenter suggests that the Department revert back to the 2010 QAP language until extensive research can be performed that details the impact of such a change.

Commenter (33) suggests that even though tax credit pricing has increased in the last year, it is still substantially below the levels of four years ago and states many Developments are already in a higher risk profile and without substantial soft financing they will be more difficult to finance and maintain adequate debt service coverage. Commenter (33) suggests that 2011 is not the year to attempt to increase lower rent levels and recommends the 2010 QAP language be reinstated.

Commenter (3) suggests that in most non-Major Metropolitan Areas with lower starting rent levels, the economics of the transaction will not work given the proposed changes. In these areas and given the current tax credit pricing the proposed change would result in only active housing authorities or developers that team up with active housing authorities that could apply for the housing voucher to support the income and/or operating expenses would be able to compete in the program. Commenter (3) states that syndicators are reluctant to structure housing authority developments with HAP vouchers as a source of funding because of the uncertainty if the HUD appropriation to the housing authority changes or is unfunded. Commenter (3) suggests that the Board reinstate the 2010 QAP scoring requirements relating to this scoring item as well as §49.9(a)(3) – Income Levels of the Tenants, specifically for all Development sites located in a county with a population of less than 1,000,000.

Commenter (29) suggests that many affordable developments are having difficulties dealing with rising costs and further recommend the 2011 QAP not encourage applicants to limit rents so severely that the fiscal viability of the project is endangered. Commenter (29) suggests reverting to the 2010 QAP language.

Commenter (32) suggests the proposed changes to this scoring item represents an incremental improvement and a careful balancing of the competing incentives for gross rent and income targeting and encourages deep targeting of units at residents earning 30% or less of AMFI. Commenter also states that the Board be discouraged from attempting to re-calculate the optimal relative points on the fly during the November Board meeting. Commenter suggests the Board either adopt this language or revert to the 2010 QAP language.

Commenter (38) suggests that with the investor's appetite for risk at an all time low increasing the low income targeting percentages now doesn't make sense. Commenter (38) further suggests that when tax credit pricing returns to where it was five years ago, assuming interest rates remain attractive, that would be the time for increasing low income targeting.

**Staff Response:**
In regions of the state where deeper income targeting may prevent the Development from being financially feasible, it would be wise not to attempt to claim the points associated with this scoring item. If the market in the region prevented such deep rent targeting the Development would not be at a competitive disadvantage with the other Applications submitted in the same region.

The intent behind the change was to make the maximum score options for this scoring item and the Income Levels of the Tenants, both of which address deep rent targeting, more balanced. The net difference in maximum score between last year's rule and the proposed rule is 10% fewer units at 50% and 5% more units at 30%.

*Staff recommends no changes based on these comments.*

**29. §49.9(a)(8) – Selection Criteria – Costs of the Development by Square Foot (3), (4), (29)**
**Comment Summary:**
Commenter (3) suggests the cost of the Adaptive Reuse of a building is more expensive than Rehabilitation or New Construction and the additional cost of the Development per square foot is not recognized through the Selection Criteria in the QAP. Commenter (3) suggests that at a minimum the cost per square foot in Downtown and Central Business Districts of any type be afforded the same treatment in this scoring item as a Single Room Occupancy Development.

Commenter (3), (4) suggest historic preservation developments involving Adaptive Reuse or Rehabilitation will cost more than comparable Adaptive Reuse or Rehabilitation Developments that do not meet the Secretary of Interior's Standards for Historic Rehabilitation as required to claim federal historic tax credits. In complying with the Standards and claiming historic tax credits a developer can bring additional funding to the table to finance these additional costs. According to federal tax law, an owner that claims both the housing tax credit and historic tax credit is required to reduce its basis for calculation of the housing tax credit by the amount of the historic tax credit which reduces the amount of housing tax credits needed to support the development. Commenter (29) suggests that historic preservation Developments which separately reference costs that will be financed with the proceeds of historic tax credits and will not be claimed as tax credit basis, be permitted to disregard such separately referenced costs in calculating the price per square foot for purposes of points under this scoring item. Commenter (4) suggests the following language be added at the end of this scoring item:

> <u>"To the extent that a Historic Preservation Development would qualify to receive 10 points for this item, but its construction costs are higher than the applicable maximum costs required to be eligible for the points, such points will still be awarded if the additional costs above threshold for the points are not included in the Development Cost Schedule, but are separately referenced and such costs and related percentage driven costs, will be financed with the proceeds of historic tax credits, and LIHTC are not requested or awarded on such costs."</u>

**Staff Response:**
Staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment.

*Staff recommends no change based on this comment.*

**30. §49.9(a)(9) – Selection Criteria – Tenant Services (24), (32)**
**Comment Summary:**
Commenter (24) suggests the following recommendations to the list of proposed tenant services, specifically as it relates to the disability of serious mental illness: increase related points for case management, add medication compliance/management; expand more on the pre-approved case worker services, home chore services, food pantry/common household items, annual health fair, quarterly health and nutritional courses and weekly exercise class; and add any other extracurricular activities that add balance and meaning to one's life. In addition, commenter (24) suggested that given the income level of the targeted population (SSI or SSDI) some of the tenant services should be de-emphasized.

Commenter (32) suggests points should be awarded to Developments at two levels: basic services that are required of every Development and receive no points and enhanced services which should be funded at a minimum of $5,000 per month adjusted for inflation, and should receive six points. Commenter further suggests the Department employ a Tenant Opportunities Coordinator supported by a Tenant Initiatives Commission composed of social workers and other experts that would work together to develop a list of baseline services that all Developments would be required to provide and the Department would monitor to ensure services are provided in conjunction with a services plan. A Development proposing enhanced services would submit a services plan that allows for a range of points and will be reviewed by the Coordinator with an opportunity by the Developer to address any deficiencies in the plan prior to the scoring of the application.

**Staff Response:**
In response to commenter (24) staff's intent as it relates to the expansion of the tenant services was to offer services that would be utilized by the tenant population and that mirror what might be available to the general public. The commenter assumes that the targeted population is single adults. The tax credit program offers services that would be available to all populations which include: families with children, seniors, persons with disabilities, etc. It has often been requested by management companies, at the time the Department performs on-site monitoring visits that guidance be given through better descriptions and the frequency of the services. Staff felt that based on the population

being served some services were more appropriate than others. Moreover, housing tax credit properties, as stipulated under §42 of the Internal Revenue Code, cannot offer continual or frequent nursing, medical or psychiatric services without placing the ability to claim the tax credits at risk. Finally, any tenant services offered must be at no charge to the tenant and be available to all tenants.

Staff believes the changes requested by commenter (24), (32) presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment.

*Staff recommends no change based on these comments.*

**31. §49.9(a)(13) – Selection Criteria – Community Revitalization, Historic Preservation or Rehabilitation (2), (3), (19), (20), (22), (26), (31), (36), (37), (38)**
**Comment Summary:**
Commenter (2) suggests the inclusion of Rehabilitation under this scoring category de-prioritizes it among the scoring criteria and believes it should revert to a stand-alone scoring item indicating that §2306.802, specifically Class B indicates its prioritization. Commenter (3) suggests the Department should continue to incentivize Rehabilitation and Adaptive Reuse Developments regardless of whether the site is part of a Community Revitalization Plan or the Development proposed to use a historic building. Commenter (20) supports the incentives included in this section for existing housing that is part of Community Revitalization Plans. In addition, commenter (20) states that forty-six state agencies prioritize competitive 9% housing tax credits for preservation by creating set-asides or awarding points to applications that involve preservation and Rehabilitation of existing affordable housing.

Commenter (19), (22), (26), (31), (36), (37), (38) suggest the proposed scoring for this item allows rehabilitation an advantage in potential funding over New Construction Developments and suggests that equality be reestablished in the final draft so that New Construction Developments receive parity with Rehabilitation Developments. Commenter (19), (22), (31), (37), (38) suggests that New Construction development generate substantially more long term jobs that would put more Texans back to work and also create more opportunity for affordable housing in our State.

Commenter (38) suggests that given the general set aside for At-Risk Developments as well as the point preference under this scoring item, Rehabilitation Developments are double dipping. Commenter (38) further suggests that in addition to the set aside and the points Rehabilitation Developments also win the tie breaker. Commenter (38) suggests that equality between Rehabilitation and New Construction Developments be re-established.

**Staff Response:**
In response to comment (2) staff believes the Class B reference in §2306.802 "...which includes any other multifamily housing development with low income use or rental affordability restrictions" is accounted for in the Rehabilitation scoring item as proposed. In comparing the proposed change to last year's rule, an At-Risk application was prioritized as a result of the At-Risk set-aside and received 9 points (3 points for Rehabilitation and 6 points for Community Revitalization). The proposed change; therefore, would prioritize both At-Risk and non-At-Risk Applications and both would receive 6 points.

While the initial draft presented to the Board in September identified Rehabilitation Developments as qualifying for 3 points, Board action resulted in an increase to 6 points and therefore preference for Rehabilitation Developments over New Construction. Staff notes that in the 2010 Application

Round 67% of New Construction Developments received an award when the Selection Criteria reflected a slightly greater preference toward Rehabilitation.

Since the level of rehabilitation the Department requires is significant, staff believes that most Developments should have been able to qualify for both items. By changing the point structure to allow Rehabilitation Developments a maximum of 6 points, though a modest change, would ensure that Rehabilitation Developments are not held up in receiving points because of the lack of a community-wide revitalization plan. Furthermore, New Construction with Community Revitalization are now given 3 points where in past years they received no points.

*Staff does not recommend any changes based on these comments.*

**32. §49.9(a)(14) – Selection Criteria – Pre-application Participation Incentive Points (2), (7), (28)**

**Comment Summary:**

Commenter (2) suggests that precedent was set at a previous Board meeting whereby the Board allowed participant changes from pre-application to application in response to a staff termination. Commenter (2) states that there is a certain amount of fluidity that takes place between pre-application and application and that the Department needs to allow Applicants this flexibility up until the full application is submitted. Commenter (2) suggests removing the added language under (C) which reads "…includes as part of this exhibit, a certification signed by the principal(s) that signed the site control at pre-application confirming they are the same principal(s) at Application."

Comment (7) suggests that since a development team is not assembled at the pre-application stage this section should be modified to require at least one of the principals are still involved in the Application at full application, but not necessarily all of the same parties.

Commenter (28) suggests more clarity is needed to determine whether in the instance where an entity has more than one Principal if only one Principal must stay the same or if they all must stay the same. Commenter (28) also suggests it is not clear whether all the Principals must sign the site control for the parties to be able to make this certification in the Application. Commenter (28) suggests the only true way for the Department to know it is working with the same team as from pre-application to application is to require an organizational chart in both stages of the application process and compare the two.

**Staff Response:**

The Board does not set precedent when applications are presented on a case-by-case basis. With regards to the case referred to by comment (2) the Board voted based on a lack of clarity in the 2010 QAP. Staff proposed language in the initial draft that clarifies the Department's intent. It is not the Department's intent to require the entire development team remain the same from pre-application to Application, but merely those executing the site control. There is no prohibition against adding Principals at Application; however, Principals identified in the site control at pre-application cannot be substituted at full Application. An organizational chart at the pre-application stage is not necessary in order to verify the requirement is met.

*Staff does not recommend any changes based on these comments.*

**33. §49.9(a)(15) – Green Building Initiatives**

*No public comment was received specifically to the Green Building Initiatives in Selection; however, staff notes that minor administrative changes have been made to this section to ensure consistency with those Green Building Amenities listed in Threshold.*

**34. §49.9(a)(16) – Development Location (2), (7), (32)**
**Comment Summary:**
Commenter (2) suggests that the inclusion of the Third Party Funding outside of a QCT under this scoring item is problematic because it would result in all Applicants qualifying for the points and results in the loss of an objective scoring item that would differentiate deals. In addition, the commenter suggests that Third Party Funding outside of a QCT was the counter balance for scoring item #24 regarding QCT's with Revitalization and suggests that the QAP is incentivizing development in poorer neighborhoods. Commenter (2) suggests the Development Location scoring item should allow for a maximum 6 or 8 points with the following possible for 2 points each with no limitation based on family or elderly: census tract income higher than county income, less than 10% poverty rate, recognized or exemplary school attendance zone, urban core, and four-story Development with structural parking located next to transportation/transit oriented district. Commenter (2) suggests this will show a true priority of de-concentrating lower income populations and provide more opportunities to the residents.

Commenter (32) suggests the inclusion of the Third Party Funding outside of a QCT dramatically undercuts the effectiveness of the High Opportunity points by diluting them with a financing-oriented goal. Commenter (32) suggests these points should be assigned a separate category of points, perhaps incorporated in the scoring of "financial feasibility". Additionally, commenter (32) suggests the points should be available for areas with low poverty, high area median-family income, and access to high performing schools and should be additive, rather than exclusive in that Applications should be eligible for low-poverty and high-income and exemplary school points, not low-poverty or high-income or exemplary school points. Commenter (32) further suggests that if these points are not made additive then the definition as proposed under the High Opportunity Area for the 30% boost regarding Developments in census tracts in the top quartile (when ranked by AMFI) of tracts in the county in which the Development is constructed should be revised in this section as well. Additionally, commenter (32) suggests the language for being in an exemplary or recognized school attendance zone be revised to exclude magnet schools.

Commenter (7) suggests that points for locating housing outside of high poverty areas (Item C) should be allowed for senior housing as well as family housing.

**Staff Response:**
Staff recommends moving the Third Party Funding Outside of a QCT as a stand-alone scoring item and recommends reverting to the 2010 QAP scoring of this item of 1 point.

In response to comment (7), staff believes that §42(m)(1)(C)(vii) which states "tenant populations of individuals with children" provides a priority for Developments that are not senior housing only.

In response to comment (32) regarding making the points additive under this scoring item and having Third Party Funding outside of a QCT be incorporated into the scoring of financial feasibility, staff believes the change requested presents a significantly new concept not contemplated in the proposed draft and would therefore require a new posting for public comment; therefore, staff does not recommend any changes. Additionally, in response to comment (32) the draft QAP as proposed excludes magnet schools or elementary schools with district-wide possibility of enrollment or no defined attendance zones.

**35. §49.9(a) (17) – Selection Criteria – Economic Development Initiatives**

*No public comment was received specific to this scoring item; however, staff notes that administrative changes were made. Specifically, one of the programs under item (D), Texas Department of Agriculture's Rural Municipal Finance Program, no longer exists and the Real Estate Development and Infrastructure Program is covered under Texas Capital Fund in paragraph (B) of this scoring item. Therefore, staff recommends striking all of paragraph (D)*

**36. §49.9(a)(23) – Selection Criteria – Sponsor Characteristics (5)**
**Comment Summary:**
Comment suggests the HUB scoring system could be strengthened by revising the scoring criteria to reflect the full 2 points be given to Developers who work with HUB's and only 1 point for attempts that are made to use a HUB when none exists. Commenter states that the weak economy has presented a challenge to all our state's small businesses and some HUBs have had a hard time surviving.

**Staff Response:**
Staff agrees on the basis that requiring actual use of a HUB, as opposed to a plan to pursue use of a HUB is consistent with the establishment of preference for HUB utilization. Staff recommends the following change to this scoring item:

> "**Sponsor Characteristics.** Applications may qualify to receive a maximum of 2 points for this item. ~~for q~~Qualifying under ~~either~~ subparagraph (A) shall be worth 1 point and qualifying under subparagraph ~~or~~ (B) shall be worth 2 points.~~of this paragraph.~~ (§42(m)(1)(C)(iv))
>
> (A) The Applicant has submitted a plan to use Historically Underutilized Businesses (HUB) in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas. The Applicant will be required to submit a report of the success of the plan as part of the cost certification documentation, in order to receive IRS Forms 8609; or
>
> (B) There is a HUB ~~that does not meet the experience requirements under §49.8(4) of this chapter,~~ as certified by the Texas Comptroller of Public Accounts, has at least 51% ownership interest in the General Partner and materially participates in the Development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Comptroller of Public Accounts that the Person is a HUB at the close of the Application Acceptance Period. ~~The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609's for, more than two Developments involving tax credits.~~"

**37. §49.13(b) – Amendment of Application Subsequent to Allocation by Board (7), (28)**
**Comment Summary:**
Commenter (7), (28) suggests that many amendments submitted to the Department are prepared by the Applicant and that the requirement for the amendment request to include a proposed form of amendment prepared at the Applicant's sole expense by an attorney licensed to practice law in the State of Texas is onerous and will add time and cost to the process. Commenter (7) suggests that many amendments are simple in nature and the Applicant should not have to incur additional legal costs when there is already a $2,500 amendment request fee.

Commenter (28) suggests that if an Applicant believes an attorney's assistance is required for the amendment, it should be able to make that decision itself and not be compelled by the Department to do so. In addition, commenter (28) suggests submitting an amendment request 45 days prior to a Board meeting may create problematic construction delays for properties that need to make a change while in the construction phase. Commenter (28) suggests the timeframe revert back to 30 days.

**Staff Response:**
Staff believes that amendments rely on legal requirements that are requested to be changed or altered from the application as it was originally submitted and approved and; therefore, the request in a proposed form of amendment is justified. Staff recommends deleting the requirement to use an attorney as follows:

> "**Amendment of Application Subsequent to Allocation by Board.** (§2306.6712 and §2306.6717(a)(4))
>
> (1) If a proposed modification would materially alter a Development approved for an allocation of ~~a~~ Housing Tax Credits, or if the Applicant has altered any Selection Criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application. ~~and s~~Such request shall include a proposed form of amendment, if requested by the Department,~~ prepared at the Applicant's sole expense by an attorney licensed to practice law in the State of Texas~~ and the applicable fee as identified in §49.14(l) of this chapter (relating to Extension and Amendment Fees). The amendment request will not be considered received unless accompanied with the corresponding fee.
>
> (2) The Executive Director of the Department shall require ~~the~~ appropriate Department staff to evaluate the amendment and provide a~~n~~ written analysis and ~~written~~ recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with subsection (h) of this section shall also provide to the Board an analysis and written recommendation regarding the amendment. For amendments not requiring Board approval, the amendment will be deemed approved if the Executive Director does not approve or deny within thirty (30) days from the date on which the Department has acknowledged it has received all additional information that it has, in writing, requested of the Applicant to enable the Department to evaluate the amendment request. ~~For a~~Amendment~~s~~ requests which require Board approval~~, the amendment request~~ must be received by the Department at least forty-five (45) days prior to the Board meeting in which ~~where~~ the amendment will be considered.
>
> (3) The Board must vote ~~on~~ whether to approve an amendment that is material. The Executive Director may administratively approve all non-material ~~an~~ amendments~~ that is not material~~. The Board ~~by~~ may vote~~ may~~ to reject an amendment request and~~,~~ if appropriate, rescind a Commitment or terminate the allocation of Housing Tax Credits and reallocate the credits to other Applicants on the waiting list. Amendment requests may be denied if the Board determines that the modification proposed in the amendment:
>
> (A) Would materially alter the Development in a negative manner; or
>
> (B) Would have adversely affected the selection of the Application in the Application Round.
>
> (4) Material alteration of a Development includes, but is not limited to:
>
> (A) A significant modification of the site plan;
>
> (B) A modification of the number of units or bedroom mix of units;
>
> (C) A substantive modification of the scope of tenant services;

(D) A reduction of 3% or more in the square footage of the units or common areas;
(E) A significant modification of the architectural design of the Development;
(F) A modification of the residential density of the Development of at least 5%;
(G) An increase or decrease in the site acreage of greater than 10% from the original site under control and proposed in the Application; and
(H) Any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, ~~the~~ Department staff shall consider whether the need for the proposed modification ~~proposed in the amendment~~ was:
(A) Reasonably foreseeable by the Applicant at the time the Application was submitted; or
(B) Preventable by the Applicant. ~~An a~~Amendment requests will be denied ~~disapproved~~ if the circumstances were reasonably foreseeable and preventable unless ~~there is a finding of~~ good cause is found for the approval of the amendment."

In response to commenter (28) regarding the timeframe by which amendment requests need to be submitted; staff notes that the proposed initial draft reflected a timeframe of 60 days prior to the Board meeting and based on Board action at the September Board meeting that timeline was negotiated to 45 days. Staff will endeavor to expedite amendment requests when they are submitted to the Department.

**38. §49.14(m) – Penalties (32)**
**Comment Summary:**
Commenter suggests there needs to be a strong incentive to developers to return their unused credits to the tax credit exchange program (or similar programs developed in the future) or face debarment from participation in future tax credit rounds.

**Staff Response:**
Staff believes there is currently a provision in the draft QAP regarding penalties associated with returning unused credits in an untimely manner.

*Staff does not recommend any changes based on this comment.*

The Board approved the final order adopting the new sections on November 10, 2010.

The new sections are adopted pursuant to the authority Chapter 2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

| Comment # | Commenter |
|---|---|
| 1 | Joe Chamy, Chamy Investments |
| 2 | S. Anderson Consulting and S2A Development Consulting |
| 3 | Donna Rickenbacker, Marque Real Estate Consultants |
| 4 | Hal Fairbanks, HRI Properties |
| 5 | Rafael Anchia, State Representative, District 103 |
| 6 | Debra Guerrero, NRP Group |
| 7 | Diana McIver, TAAHP |
| 8 | Ben E. Brewer III, Downtown Alliance San Antonio |
| 9 | Barry Kahn |
| 10 | Bill Fisher, Odyssey Residential |
| 11 | Ben Medina, City of Brownsville |
| 12 | Darrell G. Jack, Apartment MarketData, LLC |
| 13 | Barry Halla, Life Rebuilders |
| 14 | Sarah Andre |
| 15 | Robert H. (Bob) Sherman, SBG Development Services, L.P |
| 16 | Rollette Schreckenghost, San Antonio Conservation Society |
| 17 | Albert E. Magill, III San Jacinto Realty Services, LLC |
| 18 | Terry Coyne, Community Preservation Partners |
| 19 | Jerry Madden, State Representative, District 67 |
| 20 | Michael Bodaken, National Housing Trust |
| 21 | Bobby Bowling IV, Tropicana Building Corporation |
| 22 | Veronica Gonzales, State Representative, District 41 |
| 23 | Andrew M. Taft, Downtown Fort Worth, Inc. |
| 24 | Marilyn Hartman, National Alliance on Mental Illness Austin (NAMI) |
| 25 | Belinda Carlton, Texas Council for Developmental Disabilities |
| 26 | Bryan Hughes, State Representative, District 5 |
| 27 | Jean Latsha, National Farm Workers Service Center, Inc. |
| 28 | Cynthia Bast, Locke Lord Bissell & Liddell |
| 29 | Barry Palmer, Coats Rose |
| 30 | Texas Supportive Housing Coalition |
| 31 | Charlie F. Howard, State Representative, District 26 |
| 32 | John Henneberger, Texas Low Income Housing Information Service |
| 33 | J. Anthony Sisk, Churchill Residential |
| 34 | Barbara Holston, Fort Worth Housing Authority |
| 35 | Kathy Tyler, Motivation, Education & Training, Inc. (MET) |
| 36 | Ken Paxton, State Representative, District 70 |
| 37 | Edmund Kuempel, State Representative, District 44 |
| 38 | Colby Denison, Denison Development and Construction |

**Scoring Breakdown in Descending Order of Points for the Draft 2011 QAP**

| QAP Para. # | Topic | Total Points | Notes | Legislative and/or Code Citation |
|---|---|---|---|---|
| 1 | Financial Feasibility | 28 Max | N/A | 2306.6710(b)(1)(A) |
| 2 | Quantifiable Community Participation (QCP) | 24 Max | Range of +24 to 0 | 2306.6710(b)(1)(B); 2306.6725(a)(2) |
| 3 | Income Levels of the Tenants | 22 Max | Range 22 to 20 | 2306.6710(b)(1)(C) and (e); 2306.111(g)(3)(B) and (E); 42(m)(1)(B)(ii)(I) |
| 4 | Size and Quality of the Units | 20 Max | Size of Units – up to 4 points; Quality of Units – up to 6 points | 2306.6710(b)(1)(D); 42(m)(1)(C)(iii) |
| 5 | Commitment of Funding by Unit of General Local Government | 18 Max | Range 18 to 12 | 2306.6710(b)(1)(E) |
| 6 | State Representative or Senator Input | 14 Max | Range of +14 to -14 | 2306.6710(b)(1)(F); 2306.6725(a)(2) |
| 7 | Rent Levels of the Units | 12 Max | Range 12 to 2 | 2306.6710(b)(1)(G) |
| 8 | Cost Per Square Foot | 10 | N/A | 2306.6710(b)(1)(H); 42(m)(1)(C)(iii) |
| 9 | Tenant Services | 8 Max | Range 8 to 1 | 2306.6710(b)(1)(I); 2306.6725(a)(1) |
| 10 | Declared Disaster Areas | 7 | N/A | 2306.6710(b)(1)(J) |
| 11 | Community Input Other Than QCP | 6 Max | Range 6 to 0 | N/A |
| 12 | Housing Needs | 6 | N/A | 42(m)(1)(C)(ii) |
| 13 | Revitalization, Historic Preservation and Rehabilitation | 6 | N/A | 42(m)(1)(C)(iii); H.R 3221 |
| 14 | Pre-Application Incentive Points | 6 | N/A | 2306.6704 |
| 15 | Green Building Initiatives | 6 Max | Range 6 to 1 | N/A |
| 16 | Development Location | 4 | N/A | 2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i) and (vii); 2306.6710(e)(1) |
| 17 | Economic Development Initiatives | 4 | N/A | 2306.127 |
| 18 | Census Tracts with No Other Existing Developments Supported by Tax Credits | 4 | N/A | 2306.6725(b)(2) |
| 19 | Special Housing Needs Populations | 4 | N/A | 42(m)(1)(C)(v) |
| 20 | Length of Affordability | 4 Max | Range 4 to 2 | 2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1) and (c); 2306.6710(e)(2); 42(m)(1)(B)(ii)(II) |
| 21 | Site Characteristics | 4 | Up to 4 points | N/A |
| 22 | Development Size | 3 | N/A | N/A |
| 23 | Sponsor Characteristics | 2 | N/A | 42(m)(1)(C)(iv) |
| 24 | Qualified Census Tracts with Revitalization | 1 | N/A | 42(m)(1)(B)(ii)(III) |
| 25 | Right of First Refusal | 1 | N/A | 2306.6725(b)(1); 42(m)(1)(C)(viii) |
| 26 | Leveraging of Private, State and Federal Resources | 1 | N/A | 2306.6725(a)(3) |
| 27 | Penalties | N/A | Range | 2306.6710(b)(2) |
| **Maximum Number of Points Possible:** | | 225 | | |

**Attachment B: Preamble, Reasoned Response, and Repealed Rule**

The Texas Department of Housing and Community Affairs (Department) proposes the repeal of 10 TAC Chapter 49, §§49.1 - 49.23, concerning the Qualified Allocation Plan. This repeal is proposed in order to enact new sections.

The Texas Department of Housing and Community Affairs (the "Department") accepted comments through October 23, 2010 to the proposed repeal in writing and by email. This document provides the Department's response to all comments received. Comments and responses are presented in the order they appear in the rules.

No other statutes, articles, or codes are affected by this proposed repeal.

The Board approved the final order adopting the new sections on November 10, 2010.

The new sections are adopted pursuant to the authority Chapter 2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

§49.1. Purpose and Authority; Program Statement; Allocation Goals

§49.2. Coordination with Rural Agencies

§49.3. Definitions

§49.4. State Housing Credit Ceiling

§49.5. Ineligibility; Disqualification and Debarment; Certain Applicant and Development Standards; Representation by Former Board Member or Other Person; Due Diligence, Sworn Affidavit; Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment

§49.6. Site and Development Restrictions: Floodplain; Ineligible Building Types; Scattered Site Limitations; Credit Amount; Limitations on the Size of Developments; Limitations on Rehabilitation Costs; Unacceptable Sites; Appeals and Administrative Deficiencies for Site and Development Restrictions

§49.7. Regional Allocation Formula; Set-Asides; Redistribution of Credits

§49.8. Pre-Applications for Competitive Housing Tax Credits: Submission; Communication with Departments Staff; Evaluation Process; Threshold Criteria and Review; Results (§2306.6704)

§49.9. Application: Submission; Ex Parte Communications; Adherence to Obligations; Evaluation Process for Competitive Applications Under the State Housing Credit Ceiling; Evaluation Process for Tax-Exempt Bond Development Applications; Evaluation Process for Rural Rescue Applications Under the 2010 Credit Ceiling; Experience Pre-Certification Procedures; Threshold Criteria; Selection Criteria; Tiebreaker Factors; Staff Recommendations

§49.10. Board Decisions; Waiting List; Forward Commitments

§49.11. Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants;
Viewing of Pre-Applications and Applications; Confidential Information

§49.12. Tax-Exempt Bond Developments: Filing of Applications; Applicability of Rules; Supportive Services; Financial Feasibility Evaluation; Satisfaction of Requirements

§49.13. Commitment and Determination Notices; Agreement and Election Statement; Documentation Submission Requirements

§49.14. Carryover; 10% Test; Commencement of Substantial Construction

§49.15. LURA, Cost Certification

§49.16. Housing Credit Allocations

§49.17. Board Reevaluation, Appeals Process; Provision of Information or Challenges Regarding Applications; Amendments; Housing Tax Credit and Ownership Transfers; Sale of Tax Credit Properties; Withdrawals; Cancellations; Alternative Dispute Resolution

§49.18. Compliance Monitoring and Material Noncompliance

§49.19. Department Records; Application Log; IRS Filings

§49.20. Program Fees; Refunds; Public Information Requests; Adjustments of Fees and Notification of Fees; Extensions; Penalties

§49.21. Manner and Place of Filing All Required Documentation

§49.22. Waiver and Amendment of Rules

§49.23. Deadlines for Allocation of Housing Tax Credits (§2306.6724)

Housing Tax Credit Program

2011 DRAFT Qualified Allocation Plan

Table of Contents

**§49.1.General Program Information.**

(a) Purpose and Authority. The rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the "Department") of Housing Tax Credits authorized by applicable federal income tax laws. Pursuant to Chapter 2306, Subchapter DD, of the Texas Government Code, the Department is authorized to make Housing Tax Credit Allocations for the State of Texas. As required by §42(m)(1) of the Code, the Department developed this Qualified Allocation Plan (QAP) which is set forth in §§49.1 - 49.17 of this chapter. Sections in this chapter establish procedures for applying for and obtaining an allocation of Housing Tax Credits, along with ensuring that the proper Threshold Criteria, Selection Criteria, priorities and preferences are followed in making such allocations.

(b) Allocation Goals. It is the policy of this Department and the Board, as expressed through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula to promote maximum utilization of the available tax credit amount and to allocate credits among as many different entities as practicable without diminishing the quality of the housing that is being built.

**§49.2.Definitions.**

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Texas Government Code, Chapter 2306, §42 of the Internal Revenue Code, §1.1 of this title (relating to Definitions), and repeated in the Tax Credit (Procedures) Manual.

(1) **Applicable Percentage**--The percentage used to determine the amount of the Housing Tax Credit for any Development (New Construction, Reconstruction, and/or Rehabilitation), as described in §42(b) of the Code. However, where the property has not placed in service or an Agreement and Election Statement has not been executed the Applicable Percentage must be estimated as of the date of the Application submission. For purposes of the Application, the Applicable Percentage must be projected at:
   (A) not less than 9% through December 31, 2013 for 70% present value credits unless extended by Congress; or
   (B) fifteen (15) basis points over the current Applicable Percentage for 30% present value credits associated with acquisition and with qualified Tax-Exempt Bond Developments, pursuant to §42(b) of the Code for the month in which the Application is submitted to the Department.

(2) **Application Acceptance Period**--That period of time during which Applications may be submitted to the Department.

(3) **Area Median Gross Income (AMGI)**--Area median gross household income, as determined for all purposes under and in accordance with the requirements of §42 of the Code.

(4) **Carryover Allocation**--An allocation of current year tax credit authority by the Department pursuant to the provisions of §42(h)(1)(C) of the Code and Treasury Regulations, §1.42-6.

(5) **Carryover Allocation Document**--A document issued by the Department, and executed by the Development Owner, pursuant to §49.12(e) of this chapter (relating to Carryover).

(6) **Code**--The Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other

official pronouncements issued thereunder by the U.S. Department of the Treasury or the Internal Revenue Service (IRS).

(7) **Certificate of Reservation**--The notice given by the Texas Bond Review Board (TBRB) to an issuer reserving a specific amount of the state ceiling for a specific issue of bonds.

(8) **Community Revitalization Plan**--A published document under any name, approved and adopted by the local Governing Body or, if the Governing Body has lawfully assigned responsibility for oversight of communication or activities to a body created or sponsored by that Governing Body, the vote of the Governing Body so designated, by ordinance, resolution, or vote that targets specific geographic areas for revitalization and development of residential developments.

(9) **Competitive Housing Tax Credits**--Tax credits available from the State Housing Credit Ceiling.

(10) **Determination Notice**--A notice issued by the Department to the Development Owner of a Tax-Exempt Bond Development which specifies the Department's determination as to the amount of tax credits that the Development may be eligible to claim pursuant to §42(m)(1)(D) of the Code.

(11) **Development Site**--The area, or if scattered site, areas, on which the Development is proposed to be located.

(12) **Economically Distressed Area**--A county that contains an area that meets the criteria for an economically distressed area under §17.92(1), Texas Water Code, and has adopted and enforces the model rules under §16.343, Texas Water Code.

(13) **Eligible Basis**--With respect to a building within a Development, the building's Eligible Basis pursuant to §42(d) of the Code.

(14) **Existing Residential Development**--Any Development Site which contains existing residential Units at the time the Application is submitted to the Department.

(15) **Housing Credit Allocation**--An allocation by the Department to a Development Owner for a specific Application of Housing Tax Credits in accordance with the provisions of this chapter.

(16) **Housing Credit Allocation Amount**--With respect to a Development or a building within a Development, the amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a Development throughout the affordability period which the Board allocates to the Development.

(17) **Qualified Nonprofit Organization**--An organization that meets the requirements of Texas Government Code §2306.6706 and §2306.6729.

(18) **Qualified Nonprofit Development**--A Development in which a Qualified Nonprofit Organization is to own an interest in the Development directly or through a partnership and materially participates (within the meaning of §469(h) of the Code) in the development and operation of the development throughout the Compliance Period.

(19) **State Housing Credit Ceiling**--The aggregate amount of Housing Credit Allocations that may be made by the Department during any calendar year, as determined from time to time by the Department in accordance with applicable federal law, including §42(h)(3)(C) of the Code.

(20) **Supportive Housing**--Residential rental developments intended for occupancy by individuals or households in need of specialized and specific non-medical services in order to maintain independent living.

(21) **Tax Credit (Procedures) Manual**--The manual produced and amended from time to time by the Department which reiterates the rules and provides guidance for the filing of tax credit related documents.

(22) **Tax-Exempt Bond Development**--A Development requesting or having been awarded Housing Tax Credits and which receives a portion of its financing from the proceeds of tax-exempt bonds which are subject to the state volume cap as described in §42(h)(4) of the Code, such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

(23) **Transit Oriented District**--A mixed-use residential and commercial area, located within a radius of one-quarter mile from an existing or proposed transit stop, designed to encourage pedestrian activities and maximize access to public transportation.

**§49.3.Program Calendar.**

All documentation noted in this section must be submitted to the Department offices located at 221 E. 11th Street, Austin, 78701, by 5:00 p.m. (CST) by the date indicated.

| **Due Date** | **Documentation Required** |
|---|---|
| 12/20/2010 | ~~Pre-a~~Application Acceptance Period Begins (Competitive HTC Only). |
| 12/20/2010 | Pre-application Neighborhood Organization Request Date (Competitive HTC Only). |
| 12/31/2010 | Pre-application Response to Neighborhood Organization Request Date (Competitive HTC Only). |
| 01/07/2011 | Pre-Application Final Delivery Date ~~(Submitted via CD-R;~~ (Competitive HTC Only). |
| 01/21/2011 | Full Application Neighborhood Organization Request Date (Competitive HTC Only). For Tax-Exempt Bond, Rural Rescue, HOME or HTF Applications the request must be sent no later than fourteen (14) days prior to the submission of the Threshold Documentation. |
| 02/15/2011 | Experience Certification Delivery Date (For Tax-Exempt Bond Applications the Experience Certification Documentation must be submitted with the Application). |

| Due Date | Documentation Required |
|---|---|
| 02/22/2010 | Full Application Response to Neighborhood Organization Request Date (Competitive HTC Only). For Tax-Exempt Bond, HOME or HTF Applications the response should be received no later than seven (7) days prior to the Application submission. |
| 03/01/2011 | Full Application Delivery Date ~~(Submitted via CD-R;~~ (Competitive HTC Only). |
| 03/01/2011 | Quantifiable Community Participation (QCP) Delivery Date (Competitive HTC Only). |
| 03/01/2011 | Unit of General Local Government Resolutions for Applications applying for TDHCA HOME funds and selecting §49.9(a)(5) points (must be submitted with Application). |
| 03/01/2011 | Third Party Report Delivery Date (Environmental Site Assessment (ESA), Property Condition Assessment (PCA), Appraisal (if applicable)~~, and Market Study)~~. For Tax-Exempt Bond Developments the Third Party Reports must be submitted no later than 60 days prior to the Board meeting at which the tax credits will be considered. The 60 day deadlines are available on the Department's website. |
| 03/02/2011 | Rural Rescue Application Submission Period (Ends 11/15/2011). |
| 04/01/2011 | Input from State Senator or Representative Delivery Date (Competitive HTC Only). |
| 04/01/2011 | Market Analysis Delivery Date (Competitive HTC Only). |
| 04/01/2011 | Resolutions Delivery Date. ~~(One Mile Three Year Rule, 2x Per Capita, resolutions in connection with Selection Criteria, etc.)~~ (For Tax-Exempt Bond Developments all resolutions are due no later than 14 days prior to the Board meeting at which the tax credits will be considered). |
| Mid-May | Final Scoring Notices Issued (Competitive HTC Only). |

| Due Date | Documentation Required |
|---|---|
| 06/01/2011 | Withdraw Deadline for State Senator or Representative Letters (Competitive HTC Only). |
| 06/15/2011 | Application Challenges Deadline (Competitive HTC Only). |
| Late June | Release of Eligible Applications for Consideration for Award in July (Competitive HTC Only). |
| Late July | Final Awards (Competitive HTC Only). |
| Mid-August | Commitments are Issued (Competitive HTC Only). |
| 11/01/2011 | Carryover Documentation Delivery Date (Competitive HTC Only). |
| 07/1/2012 | 10% Test Documentation Delivery Date (Competitive HTC Only). |
| 07/01/2012 | Documentation of Commencement of Substantial Construction Delivery Date (Competitive HTC Only). |
| 12/31/2013 | Placement in Service Deadline (Competitive HTC Only). |
| Forty-five~~Sixty~~ (45~~60~~) days prior to Board meeting | Amendment Requests. |
| Fifteen (15) business days prior to Board meeting | Extension Requests. |
| | |

**§49.4.Ineligible Applicants, Applications and Developments.**

(a) **Ineligible Applicants.** An Applicant is ineligible if any Applicant, Development Owner, Developer or Guarantor involved with the Application:

(1) has been or is barred, suspended, or terminated from procurement in a state or Federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or (§2306.6721(c)(2))

(2) has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen (15) years preceding the Application deadline; or

(3) at the time of Application is subject to an enforcement or disciplinary action under state or federal securities law or by the NASD; is subject to a federal tax lien; or is the subject of an enforcement proceeding with any Governmental Entity; or

(4) has any past due audits and has not submitted those past due audits to the Department in a satisfactory format. A Person is not eligible to receive a Commitment of Housing Tax Credits from the Department if any audit finding or questioned or disallowed cost is unresolved as of June 1 of each year, or for Tax-Exempt Bond Developments or other Applications applying

only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than thirty (30) days after Volume III of the Application is submitted; or (§2306.6703(a)(1))

(5) ~~A~~at the time of Application or at any time during the two-year period preceding the date the Application Round begins (or for Tax-Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:
   (A) A member of the Board; or
   (B) The Executive Director, a Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Portfolio Management and Compliance, the Director of Real Estate Analysis, or a manager over Housing Tax Credits employed by the Department; (§2306.6703(a)(2))

(6) The Applicant proposes to replace in less than fifteen (15) years any private activity bond financing of the Development described by the Application, unless:
   (A) The Applicant proposes to maintain for a period of thirty (30) years or more 100% of the Development Units supported by Housing Tax Credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50% of the Area Median Gross Income, adjusted for family size; and
   (B) At least one-third of all the Units in the Development are public housing units or Section 8 Development-based Units; or
   (C) The applicable private activity bonds will be redeemed only in an amount consistent with their proportionate amortization; or
   (D) If the redemption of the applicable private activity bonds will occur in the first five years of the operation of the Development and complies with §429(h)(4), Internal Revenue Code of 1986:
      (i) on the date the Certificate of Reservation is issued, the Texas Bond Review Board determines that there is not a waiting list for private activity bonds in the same priority level established under §1372.0321 of the Texas Government Code or, if applicable, in the same uniform state service region, as referenced in §1372.0231, Texas Government Code, that is served by the proposed Development; and
      (ii) the applicable private activity bonds will be redeemed according to underwriting, if any, established by the Department; (§2306.6703)

(7) The Development Owner has contracted, or will contract for the proposed Development with, a Developer that:
   (A) Is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development;
   (B) Has breached a contract with a public agency and failed to cure that breach; or
   (C) Misrepresented to a subcontractor the extent to which the Developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Developer's participation in contracts with the agency and the amount of financial assistance awarded to the Developer by the agency;

(8) There is, involving the Application or Applicant, a violation of §2306.6733 of the Texas Government Code;

(9) ~~If the Developer or Principal of the Applicant~~ has been voluntarily or involuntarily removed from a rent or income restricted multifamily Development by a lender, equity provider, or any other owners or investors~~,~~ as a Principal during the previous ten (10) years, however designated, or any combination thereof or if any litigation to effectuate such removal ~~is~~has been instituted, and is continuing at the time of Application the Department shall be promptly notified by the Applicant. The Applicant will provide the Department staff with such information as it may reasonably request to evaluate the facts and circumstances surrounding such actual or threatened removal and prepare a report to the Executive Director. The information considered and addressed in the report will include, but not be limited to those identified in subparagraphs (A) - (~~C~~D) of this paragraph. The Executive Director will make a determination, based on the report, whether facts and circumstances are present that would support the institution of formal debarment proceedings. Any debarment under this provision shall be for a period that will not exceed five (5) years. No

person shall be debarred except by formal action taken by the Department's Governing Board.

(A) Whether the Developer or Principal has invested more of its financial resources in the Development than it has received from or in connection with the Development;

(B) Whether such Developer or Principal had the ability to address the facts and circumstances that ultimately led to actual or threatened removal by other means or whether uncooperative parties or other facts and circumstances beyond its control prevented any other such resolution; ~~and~~

(C) The contributing or causative effect of circumstances beyond such Applicant's, Development Owner's, Developer's or Guarantor's~~Developer's or Principal's control~~, such as significant changes in market conditions or a natural disaster; and

(D) The compliance history of the Development during the time of the Applicant's, Development Owner's, Developer's or Guarantor's involvement.~~.~~

(b) **Ineligible Applications.** ~~The Department will terminate an Application, and may debar a Person, if it is determined by the Department that any issues identified in the paragraphs of this subsection exist.~~ The Department will terminate an Application for those issues identified in paragraphs (1) - (11) of this subsection. In addition to termination, ~~T~~the Department may debar a Person for one (1) year from the date of debarment, or until the violation causing the debarment has been remedied, whichever term is longer, if the Department determines those issues identified in paragraphs (1) – (8) exist and the facts warrant debarment~~it~~. ~~Causes for disqualification and debarment include: (§2306.6721)~~

(1) The provision of fraudulent information, knowingly falsified documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process; or

(2) The Applicant, Development Owner, Developer or Guarantor or anyone that has Controlling ownership interest in the Development Owner, Developer, or Guarantor, or any Affiliate that Controls one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA or if such Material Noncompliance is identified during the Application review or the program rules in effect for such property as further described in Chapter 60 of this title (relating to Compliance Administration); or (§2306.6721(c)(3))

(3) The Applicant, Development Owner, Developer, or any Guarantor, anyone that has Controlling ownership interest in the Development Owner, Developer or Guarantor, or any Affiliate of such entity that is active in the ownership or Control has been a Principal of any entity that failed to make all loan payments to the Department in accordance with the terms of the loan, as amended, or was otherwise in default with any provisions of any loans from the Department; or

(4) The Applicant or the Development Owner that is active in the ownership or Control of one or more tax credit properties in the state of Texas has failed to cure any fees described in §49.14 of this chapter (relating to Program Related Fees) seven (7) days prior to the Board meeting at which the decision for the Application is to be made; or

(5) An Applicant or a Related Party and any Person who is active in the construction, Rehabilitation, ownership, or Control of the proposed Development, including a General Partner or contractor, and a Principal or Affiliate of a General Partner or contractor, or an individual employed as a consultant, lobbyist or attorney by an Applicant or a Related Party, violates §2306.1113 relating to Ex Parte Communication as further described in §49.7 of this chapter (relating to Application Process); or

(6) It is determined by the Department's Executive Director that there is evidence that establishes probable cause to believe that an Applicant, Development Owner, Developer, or any of their employees or agents has violated a state revolving door or other standard of conduct or conflict of interest statute, including §2306.6733, Texas Government Code, or a section of Chapter 572, Texas Government Code, in making, advancing, or supporting the Application; or

(7) The Applicant, Development Owner, Developer, Guarantor, or any Affiliate of such entity whose previous funding contracts or commitments have been partially or fully deobligated during the twelve (12) months prior to the submission of the Application and through the date of final allocation due to a failure to meet contractual obligations; or
(8) The Applicant, Development Owner, Developer, Guarantor, or any Affiliate of such entity whose pre-development award of non-tax credit funds from the Department has not been repaid for the Development at the time of Carryover Allocation or Bond closing; or
(9) The Application is submitted after the Application submission deadline (time or date); includes an electronic submission that is unreadable by the Department's computer system; has an entire Volume of the Application missing; or has a Material Deficiency as defined under §1.1 of this title (relating to Definitions). If an Application is determined ineligible pursuant to this subsection, the Application will be terminated without further consideration and the Applicant will be notified of such termination. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant; or
(10) In exercising due diligence in considering information of possible ineligibility, possible grounds for disqualification and debarment, Applicant and Development standards, possible improper representation or compensation, or similar matters, the Department may request a sworn affidavit or affidavits from the Applicant, Development Owner, Developer, Guarantor, or other Persons addressing the matter. If an affidavit determined to be sufficient by the Department is not received by the Department within seven (7) business days of the date of the request by the Department, the Department may terminate the Application; or
(11) If more than 50% of the Developer Fee is deferred as reflected in the Sources and Uses exhibit in the Application or the commitments from the lender or syndicator.

(c) **Ineligible Developments.** Those Developments identified in paragraphs (1) - (14) of this subsection are considered ineligible for funding under the Housing Tax Credit Program:
(1) Hospitals, nursing homes, trailer parks, dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (as provided in the §42(i)(3)(B)(iii) and (iv) of the Code) are not eligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible for Housing Tax Credits if the Development involves the conversion of the building to a non-transient multifamily residential Development;
(2) A property that provides continual or frequent nursing, medical or psychiatric services. Refer to IRS Revenue Ruling 98-47 for clarification of assisted living;
(3) Any Qualified Elderly Development of two stories or more that does not include elevator service for any Units or living space above the first floor;
(4) Any Qualified Elderly Development with any Units having more than two bedrooms with the exception of up to three employee Units reserved for the use of the manager, maintenance, and/or security officer. These employee Units must be specifically designated as such;
(5) Any Development with any building(s) with four or more stories that does not include an elevator;
(6) Any Qualified Elderly Development proposing more than 70% two-bedroom Units;
(7) Any Development that violates §1.15 of this title (relating to Integrated Housing Rule);
(8) Any Development located in an Urban Area involving New Construction, Reconstruction or Adaptive Reuse of Units (except for a Qualified Elderly Development, a Development composed entirely of single family dwellings, and certain specific types of transitional housing for the homeless and Single Room Occupancy units, as provided in §42(i)(3)(B)(iii) and (iv) of the Code) in which any of the designs in subparagraphs (A) - (E) of this paragraph are proposed. For Applications involving a combination of single family detached dwellings and multifamily dwellings, the percentages in this subparagraph do not apply to the single family detached dwellings, but they do apply to the multifamily dwellings. An Application may reflect a total of Units for a given bedroom size greater than the percentages in

subparagraphs (A) - (E) of this paragraph to the extent that the increase is only to reach the next highest number divisible by four:

(A) More than 30% of the total Units are one bedroom and/or Efficiency Units; or
(B) More than 55% of the total Units are two bedroom Units; or
(C) More than 40% of the total Units are three bedroom Units; or
(D) More than 5% of the total Units in the Development with four or more bedrooms; or
(E) Only two and three bedroom Unit Developments;

(9) Any Development which is intended to house seniors that is not consistent with the definition of a Qualified Elderly Development;

(10) Any Development that contains residential Units that violates the general public use requirement under Treasury Regulation §1.42-9;

(11) Development Sites with negative characteristics in subparagraphs (A) - (G) of this paragraph will be considered ineligible. Rehabilitation (excluding Reconstruction) Developments with ongoing and existing federal assistance from HUD or TDRO-USDA are exempt. For purposes of this exhibit, the term 'adjacent' is interpreted as sharing a boundary with the Development Site. The distances are to be measured from all boundaries of the Development Site to all boundaries of the property containing the negative characteristic. If none of these negative features exist, the Applicant must sign a certification to that effect. The negative characteristics include:

(A) Developments located adjacent to or within 300 feet of junkyards;
(B) Developments located adjacent to or within 300 feet of active railroad tracks, unless the Applicant provides evidence that the city/community has adopted a Railroad Quiet Zone or the railroad in question is commuter or light rail; (Rural Developments funded through TRDO-USDA are exempt);
(C) Developments located adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants, refinery blast zones, etc.;
(D) Developments located adjacent to or within 300 feet of a solid waste or sanitary landfills;
(E) Developments where the buildings are located within the "fall line" of high voltage transmission power lines;
(F) Developments where the buildings are located within the accident zones or clear zones for commercial or military airports; or
(G) Development is located adjacent to or within 300 feet of a sexually-oriented business. For purposes of this paragraph, a sexually-oriented business shall be defined as stated in §243.002 of the Texas Government Code.

(12) **One Mile Same Year Rule.** Staff will not recommend an allocation in the same ~~allocation cycle~~Application Round if the Developments are, or will be, located less than one linear mile apart as determined by the Department. If the Board forward commits credits from the following year's State Housing Credit Ceiling, the Development is considered to be in the calendar year in which the Board votes, not in the year of the State Housing Credit Ceiling. This limitation applies only to communities contained within counties with populations exceeding one million. For purposes of this chapter, any two sites not more than one linear mile apart are deemed to be "in a single community." (§2306.6711(f)) This restriction does not apply to the allocation of Housing Tax Credits to Developments financed through the Tax-Exempt Bond program, including the Tax-Exempt Bond Development Applications under review and existing Tax-Exempt Bond Developments in the Department's portfolio; and (§2306.67021)

(13) **Unacceptable Sites.** Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department, based on the evaluation factors identified in the Site Evaluation form, augmented by any other inspections or other documented findings of the Department. The Department will advise the Applicant if it makes an initial finding that a proposed site is unacceptable and provide the applicant with a reasonable opportunity to address any identified concerns. If in the Department's reasonable judgment the Applicant is not able to address adequately the Department's

concerns regarding the site, the Department will issue a determination that the site is unacceptable. If not appealed in accordance with §49.10(d) of this chapter (relating to Appeals Process), this determination becomes final.

(14) ~~**A**~~ **Development** **Amenities.**~~**that does not provide all of the following amenities will be considered ineligible.**~~ These amenities must be at no charge to the tenants. All New Construction, Reconstruction or Adaptive Reuse Units must provide the amenities in subparagraphs (A) - (M) of this paragraph. Rehabilitation Developments must provide the amenities in subparagraphs (C) - (M) of this paragraph unless expressly identified as not required. (§2306.187) Deviations for good cause, by which one or more of the foregoing will not be provided, must be approved prior to award and the request for such deviation must be included in the Application. The Executive Director may issue such approvals. Requests not approved may be appealed to the Board in accordance with §49.10(d) of this chapter.

(A) All New Construction Units must be wired with RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room;
(B) Laundry Connections;
(C) Blinds or window coverings for all windows;
(D) Screens on all operable windows;
(E) Disposal and Energy-Star rated dishwasher (not required for TRDO-USDA or SRO Developments; Rehabilitation Developments exempt from dishwasher if one was not originally in the unit);
(F) Energy-Star rated refrigerator;
(G) Oven/Range;
(H) Exhaust/vent fans (vented to the outside) in bathrooms;
(I) Energy-Star rated ceiling fans in living areas and bedrooms;
(J) Energy-Star rated lighting in all Units which may include compact florescent bulbs;
(K) Plumbing fixtures (toilets and faucets) must meet design standards at 30 TAC §290.252;
(L) All Units must be air-conditioned; and
(M) Fire sprinklers in all Units where required by local code.

**§49.5.Site and Development Restrictions.**

(a) **Floodplain.** Any Development proposing New Construction or Reconstruction and located within the one-hundred (100) year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the one-hundred (100) year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation (excluding Reconstruction) with the exception of Developments with existing and ongoing federal funding assistance from HUD or TDRO-USDA, will be permitted in the one-hundred (100) year floodplain unless they already meet the requirements established in this subsection for New Construction, or if the Unit of General Local Government has undertaken mitigation efforts and can establish that the property is no longer within the one-hundred (100) year floodplain.

(b) **Credit Amount.** (§2306.6711(b)) An Applicant may not request more than $2 million in annual tax credits for any given Application. The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party, Affiliate or Guarantor (unless the Guarantor is also ~~exclusively~~ the General Contractor, and is not a Principal of the Applicant, Developer, Related Party or Affiliate of the Development Owner). Tax-Exempt Bond Development Applications are not subject to this limitation and Tax-Exempt Bond Development Applications will not count towards the total limit on tax credits per Applicant. Competitive Housing Tax Credits approved by the Board during the 2011 calendar year, including commitments from the 2011 Credit Ceiling and forward commitments from the 2012~~2011~~ Credit Ceiling, are applied to the credit cap limitation for the 2011~~2012~~ Application Round. In order to evaluate this $2 million limitation, nonprofit entities, public housing authorities, publicly traded corporations, individual board members, and executive directors must provide the documentation required in the Application with regard to this requirement. All entities that share a Principal are Affiliates. For purposes of determining the $2 million limitation of tax credits, a Person is not deemed to be an Affiliate solely because it:

(1) raises or provides equity;
(2) provides "qualified commercial financing";
(3) is a Qualified Nonprofit Organization or other not-for-profit entity that is providing solely loan funds, grant funds or social services; or
(4) receives fees as a Development Consultant or Developer that do not exceed 10% of the Developer Fee (or 20% for Qualified Nonprofit Developments) to be paid or $150,000, whichever is greater.~~; or~~
~~(5) provides or supports the Applicant's financial capacity for the proposed Development.~~

(c) **Limitations on the Size of Developments.**

(1) The minimum Development size will be 16 Units.

(2) Developments in Rural Areas involving any New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings) will be limited to 80 Units. Rehabilitation Developments (excluding Reconstruction) do not have a limitation as to the number of Units.

(3) Urban Developments involving any New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings), in the Competitive Housing Tax Credit Application Round will be limited to 252 total Units, wherein the maximum Department administered Units will be limited to 200 Units. Tax-Exempt Bond Developments will be limited to 252 restricted and total Units. These maximum Unit limitations also apply to those Developments which involve a combination of Rehabilitation, Reconstruction, and New Construction. Only Developments that consist solely of acquisition/Rehabilitation or Rehabilitation may exceed the maximum Unit restrictions.

(4) For Applications that are proposing an additional phase to an existing tax credit Development; that are otherwise adjacent to an existing tax credit Development; or that are proposing a Development on a contiguous site to another Application awarded in the same program year, the combined Unit total for the existing and proposed Developments may not exceed the maximum allowable Development size set forth in this subsection unless:

(A) the first phase of the Development has been completed and has maintained occupancy of at least 90% for a minimum six (6) month period as reflected in the submitted rent roll; or
(B) a resolution from the Governing Body of the city or county, in which the proposed Development is located, dated no more than one (1) year old from the date the Application is submitted. Such resolution must state that there is a need for additional Units and that the Governing Body has reviewed a market study, the conclusion of which supports the need for additional Units. The resolution must be submitted to the Department by the Resolution Delivery Date as indicated in §49.3 of this chapter (relating to Program Calendar); or
(C) the proposed Development is intended to provide replacement of previously existing affordable Units on the Development Site or that were originally located within a one mile radius from the Development Site; provided, however, the combined number of Units in the proposed Development may not exceed the number of Units being replaced. Documentation of such replacement units must be provided.

(d) **Developments Proposing to Qualify for a 30% increase in Eligible Basis.** Staff will only recommend a 30% increase in Eligible Basis if: (paragraphs (2) and (3) of this subsection do not apply to Tax-Exempt Bond Applications)~~:~~

(1) The Development is located in a Qualified Census Tract (QCT) (as determined by the Secretary of HUD) that has less than 30% Housing Tax Credit Units per households in the tract as established by the U.S. Census Bureau for the most recent Decennial Census. Developments located in a QCT that has in excess of 30% Housing Tax Credit Units per households in the tract are not eligible to qualify for a 30% increase in Eligible Basis, which would otherwise be available for the Development Site pursuant to §42(d)(5)(C) of the Code, unless the Development is proposing only Reconstruction or Rehabilitation (excluding New Construction of non-residential buildings). Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. The eleven (11) digit census tract number must be clearly marked on the map. These ineligible Qualified Census Tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report; or

(2) The Development qualifies for and receives Renewable Energy Tax Credits. For purposes of this paragraph, the Application will be required to include an architect's letter or signed third party contractor bid as evidence that the Applicant will be eligible to request Renewable Energy Tax Credits in its income tax filings. In addition, the architect's letter or signed third party contractor bid must include a statement that the increased cost differential of the Renewable Energy items over non Renewable Energy alternatives exceeds the value of the energy tax credits to be received. The Applicant will be required to show proof of receipt of the Renewable Energy Tax Credits at the time of Cost Certification. Any amenities as it relates to this item must benefit the entire Development; or

(3) Pursuant to the authority granted by H.R. 3221, the Development meets one of the criteria described in subparagraphs (A) - (D) of this paragraph:
- (A) Any Rural Development;
- (B) Developments proposing at least 50% of the total number of Units for Supportive Housing;
- (C) Developments proposing to provide 10% of the Low-Income Units, that will serve individuals and families at or below 30% of AMGI, in excess of those that are in §49.9(a)(3) of this chapter (relating to Selection Criteria); or
- (D) Developments proposed in high opportunity areas as provided in clauses (i) - (iii) of this subparagraph:
  - (i) A four story or greater Development with structural parking that is proposed to be located within one-quarter mile of existing major bus transfer centers, regional or local commuter rail transportation stations, and/or Transit Oriented Districts that are accessible to all residents including Persons with Disabilities; or
  - (ii) A Development that is proposed to be located in a census tract which has an AMGI that is higher than the AMGI of the county or place in which the census tract is located as of the first day of the Application Acceptance Period; or
  - (iii) A Development that is proposed in a census tract that has no greater than 10% poverty population according to the most recent census data (these census tracts are designated in the 2011 Housing Tax Credit Site Demographic Characteristics Report).

(4) The Development proposing to build in an area impacted by a disaster for which federal legislation providing additional credits has been enacted.

## §49.6.Allocation Process.

(a) **Regional Allocation Formula.** This formula, developed by the Department, establishes separate targeted tax credit amounts for Rural Areas and Urban Areas within each of the Uniform State Service Regions. Each Uniform State Service Region's targeted tax credit amount will be published on the Department's website. The regional allocation for Rural Areas is referred to as the Rural Regional Allocation and the regional allocation for Urban Areas is referred to as the Urban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition. The Regional Allocation target will reflect that at least 20% of the State Housing Credit Ceiling for each calendar year shall be allocated to Developments in Rural Areas with a minimum of $500,000 for each Uniform State Service Region. (§2306.111(d)(3); §2306.1115)

(b) **Allocation Set-Asides.** An Applicant may elect to compete in as many of the following Set-Asides for which the proposed Development qualifies: (§2306.111(d))

(1) **Nonprofit Set-Aside.** At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of §42(h)(5) of the Code. Qualified Nonprofit Organizations must have the Controlling interest in the Development Owner applying for this Set-Aside. If the Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the Managing General Partner. If the Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the controlling Managing Member. Additionally, a Qualified Nonprofit Development submitting an Application in the nonprofit Set-Aside must have the nonprofit entity or its nonprofit Affiliate or subsidiary be the Developer or a co-Developer as evidenced in the development agreement; (§2306.6729 and §2306.6706(b))

(2) **USDA Set-Aside.** At least 5% of the State Housing Credit Ceiling for each calendar year shall be allocated to Rural Developments which are financed through TRDO-USDA. (§2306.111(d)(2)) If an Application in this Set-Aside involves Rehabilitation it will be attributed to and come from the At-Risk Development Set-Aside; if an Application in this Set-Aside involves New Construction it will be attributed to and come from the applicable Uniform State Service Region. Developments financed through TRDO-USDA's §538 Guaranteed Rural Rental Housing Program, in whole or in part, will not be considered under this Set-Aside. Any Rehabilitation or Reconstruction of an existing §515 Development that retains the §515 loan and restrictions will be considered under the At-Risk Development and TRDO-USDA Set-Asides, unless such Development is also financed through TRDO-USDA's §538 Guaranteed Rural Rental Housing Program. Commitments of 2011 Competitive Housing Tax Credits issued by the Board in 2011 will be applied to each Set-Aside, Rural Regional Allocation, Urban Regional Allocation and/or TRDO-USDA Set-Aside for the 2011 Application Round as appropriate;

(3) **At-Risk Set-Aside.** At least 15% of the State Housing Credit Ceiling for each calendar year will be allocated under the At-Risk Development Set-Aside and will be deducted from the State Housing Credit Ceiling prior to the application of the regional formula required under subsection (a) of this section. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of Developments identified as At-Risk Developments. (§2306.6714) Up to 5% of the State Credit Ceiling associated with this Set-Aside may be given priority to Rehabilitation Developments funded with TRDO. An At-Risk Development is a Development that: (§2306.6702)

(A) Has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under at least one of the following federal laws, as applicable:

(i) Section 221(d)(3) and (5), National Housing Act (12 U.S.C. §17151);
(ii) Section 236, National Housing Act (12 U.S.C. §1715z-1);
(iii) Section 202, Housing Act of 1959 (12 U.S.C. §1701q);
(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. §1701s);

(v) The Section 8 Additional Assistance Program for housing Developments with HUD-Insured and HUD-Held Mortgages administered by the United States Department of Housing and Urban Development;

(vi) The Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the United States Department of Housing and Urban Development;

(vii) Sections 514 - 516, Housing Act of 1949 (42 U.S.C. §§1484 - 1486); or

(viii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. §42); and

(B) Is subject to the following conditions:

(i) The stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two (2) calendar years of July 31 of the year the Application is submitted); or

(ii) The federally insured mortgage on the Development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years of July 31 of the year the Application is submitted);

(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site;

(D) Developments must be at risk of losing ~~all~~ affordability from ~~all of~~ the financial benefits available ~~on~~to the Development~~, provided such benefit constitutes a subsidy, described in subparagraph (A) of this paragraph on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A)~~ and ~~of this paragraph~~ must retain or renew all possible financial benefit if available, and at least maintain existing affordability to qualify as an At-Risk Development;

(E) Nearing expiration on a requirement to maintain affordability includes Developments eligible to request a qualified contract under §42 of the Code. Evidence must be provided in the form of a copy of the recorded LURA, the first years' IRS Forms 8609 for all buildings showing Part II completed and, if applicable, documentation from the original application regarding the right of first refusal.

(c) **Redistribution of Credits.** (§2306.111(d)) If any amount of Housing Tax Credits remain after the initial commitment of Housing Tax Credits among the Set-Asides, Rural Regional Allocation and Urban Regional Allocation, the Department may redistribute the credits amongst the different regions and Set-Asides based on the need to most closely achieve regional allocation goals and the level of demand exhibited in the Uniform State Service Regions during the Application Round. However, if there are any tax credits set aside for Developments in a Rural Area in a specific Uniform State Service Region that remain after the allocation under §49.7(g)(3) of this chapter (relating to Application Process), those tax credits shall be made available in any other Rural Area in the state, first, and then to Developments in Urban areas of any uniform state service region. (§2306.111(d)(3)) As described in subsection (b)(1) and (2) of this section, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a Uniform State Service Region which does not have enough qualified Applications to meet its regional credit distribution amount, then those credits will be apportioned to the other Uniform State Service Regions.

**§49.7.Application Process.**

(a) The application process has two parts, a pre-application which is voluntary and applies only to Applications submitted under the State Housing Credit Ceiling and an Application which is mandatory. An Applicant that does not provide an Application on or before the deadlines provided for herein is not eligible to be placed on the list of eligible Applicants to which awards of tax credits may be made. Pre-applications and Applications submitted to the Department are subject to restrictions on Ex Parte Communications as further described in paragraph (1) of this subsection and the Administrative Deficiency process as further described in paragraph (2) of this subsection.

(1) **Ex Parte Communications.** (§2306.1113)

(A) During the period beginning on the first date of the Application Acceptance Period and ending on the date the Board makes a final decision with respect to the approval of any Application in that Application Round, except for communications that actually occur in properly posted open meetings, as permitted by §2306.1113 of the Texas Government Code a member of the Board may not communicate with any other Board member or with the following Persons:

(i) an Applicant or Related Party; and

(ii) any Person who is:

(I) active in the construction, rehabilitation, ownership, or Control of the proposed Development, including:

(-a-) a General Contractor; and

(-b-) a Developer; and

(-c-) a General Partner, Principal or Affiliate of a General Partner or General Contractor; or

(II) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(B) During the period beginning on the first date of the Application Acceptance Period and ending on the date the Board makes a final decision with respect to the approval of any Application in that Application Round, an employee of the Department may communicate about any Application with the following Persons:

(i) the Applicant or a Related Party; and

(ii) any Person who is:

(I) active in the construction, rehabilitation, ownership, or Control of the proposed Development, including:

(-a-) a General Partner or General Contractor; and

(-b-) a Developer; and

(-c-) a Principal or Affiliate of a General Partner or General Contractor; or

(II) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(C) A communication under paragraph (2) of this subsection may be oral or in any written form, including electronic communication through the Internet, and must satisfy the following conditions:

(i) the communication must be restricted to technical or administrative matters directly affecting the Application;

(ii) the communication must occur or be received on the premises of the Department during established business hours; and

(iii) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(I) the date, time, and means of communication;

(II) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;

(III) the subject matter of the communication; and

(IV) a summary of any action taken as a result of the communication.

(D) Notwithstanding subparagraph (A) or (B) of this paragraph, a Board member or Department employee may communicate without restriction with a Person listed in subparagraph (A) or (B) of this paragraph during any Board meeting or public hearing held with respect to the Application, but not during a recess or other non-record portion of the meeting or hearing.

(E) Subparagraph (A) of this paragraph does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may, or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

(2) **Administrative Deficiency Process.** The purpose of the Administrative Deficiency process is to allow the Applicant an opportunity to provide clarification or correction to information originally submitted in the Application. For example, if exhibits and other information required under §49.8 of this chapter (relating to Threshold Criteria) are not originally submitted in the Application (i.e. financing commitment missing entirely from the Application) staff will recommend termination of the Application. However, for information missing in part from the Application (i.e. financing commitment is submitted but it is not executed by the lender) staff will request the missing or corrected information via an Administrative Deficiency. For exhibits and other information required under §49.9 of this chapter (relating to Selection Criteria) not originally submitted in the Application (i.e. Community Revitalization Plan or letter from Appropriate Local Official missing entirely from the Application) staff will not award points for that item, even if points were requested in the Applicant's Self Scoring Form. For information missing in part from the Application (i.e. the letter from the Appropriate Local Official does not include all required information) staff will request the missing information via an Administrative Deficiency and award points provided the information submitted in response to the Administrative Deficiency is satisfactory to the Department.

(A) **Administrative Deficiencies for Applications submitted under the State Housing Credit Ceiling and Rural Rescue Applications.** If an Application contains Administrative Deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Selection, Threshold Criteria, Quantifiable Community Participation (QCP) and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made during any of these reviews. The Department staff will request clarification or correction in a deficiency notice in the form of an e-mail, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the e-mail within twenty-four (24) hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department by 5:00 p.m. on the fifth business day following the date of the deficiency notice, then five (5) points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected by 5:00 p.m. on the seventh business day following the date of the deficiency notice, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement any part of an Application in any manner after the filing deadline, and may not add any Set-Asides, increase the requested credit amount, revise the Unit mix (both income levels and bedroom mixes), or adjust their self-score except in response to a direct request from the Department as a result of an Administrative Deficiency or by approved amendment of an Application after a commitment or allocation of tax credits as further described in §49.13(b) of this chapter (relating to Board Reevaluation) (§2306.6708). This Administrative Deficiency process applies to requests for information made by the Real Estate Analysis Division during their review. To the extent that the review of Administrative Deficiency documentation during the review alters the score assigned to the Application, Applicants will be re-notified of their final score.

(B) **Administrative Deficiencies for Tax Exempt Bond Applications.** If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the

Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Threshold Criteria, and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made during any of these reviews. The Department staff will request clarification or correction in a deficiency notice in the form of an e-mail, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the e-mail within twenty-four (24) hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. All Administrative Deficiencies shall be clarified or corrected to the satisfaction of the Department within five (5) business days. Failure to resolve all outstanding deficiencies by 5:00 p.m. on the fifth business day following the date of the deficiency notice will result in a penalty fee of $500 for each business day the deficiency remains unresolved. Applications with unresolved deficiencies after 5:00 p.m. on the tenth day following the date of the deficiency notice will be terminated. The Applicant will be responsible for the payment of fees accrued pursuant to this paragraph regardless of any termination pursuant to §49.4 of this chapter (relating to Ineligibility). The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. The Application will not be presented to the Board for consideration until all outstanding fees have been paid. This Administrative Deficiency process applies equally to the Real Estate Analysis Division review and feasibility evaluation and the same penalty and termination will be assessed.

(b) **Pre-application Submission.** The purpose of the pre-application process is to enable Applicants interested in pursuing the Application to assess generally who else is interested in submitting Applications and the nature of their proposed Development. Based on an understanding of the potential competition they can make a better and more informed decision whether they wish to proceed to prepare and submit an Application.

(1) As used herein a "complete pre-application" means a pre-application that meets all of the Department's criteria for an Application with all required information and exhibits provided pursuant to the application checklist provided in the Tax Credit (Procedures) Manual.
(2) The pre-application must be submitted in accordance with the ~~Pre-a~~Application Acceptance Period and Pre-application Final Delivery Date as identified in §49.3 in this chapter (relating to Program Calendar).
(3) To submit the complete pre-application the Applicant must deliver one (1) CD-R containing a PDF copy and Excel copy of the complete pre-application to the Department prior to the Pre-application Final Delivery Date.
(4) The pre-application must be accompanied by a paper certification with an original signature in the form provided in the pre-application. Furthermore, the pre-application must be a single file, individually bookmarked at each of the required volumes and exhibits presented in the order as required in the application checklist.
(5) If a pre-application is not submitted to the Department on or before the applicable deadline indicated in §49.3 of this chapter, the Applicant will be deemed to have not made a pre-application.
(6) The required pre-application fee as described in §49.14 of this chapter (relating to Program Related Fees) must be submitted with the pre-application in order for the pre-application to be accepted by the Department.
(7) Only one pre-application may be submitted by an Applicant for each site. Prior to the pre-application deadline Applicants may withdraw their pre-application and subsequently file a new pre-application utilizing the original pre-application fee that was paid as long as no evaluation was performed by the Department.
(8) Department review at this stage is limited and not all issues of eligibility and threshold are reviewed at pre-application. Acceptance by staff of a pre-application does not ensure that an Applicant satisfies all Application eligibility, Threshold or documentation requirements. The

Department is not responsible for notifying an Applicant of potential areas of ineligibility or threshold deficiencies at the time of pre-application. The rejection of a pre-application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(c) **Pre-application Threshold Criteria.** The Pre-application Threshold Criteria include:

(1) Submission of a pre-application;

(2) Evidence of Site Control through March 1, 2011 as evidenced by the documentation required under §49.8(8)(A) of this chapter; and

(3) Evidence in the form of a certification that all of the notifications required under this paragraph have been made. (§2306.6704)

(A) The Applicant must request a list of Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site as follows:

(i) No later than the Pre-application Neighborhood Organization Request Date identified in §49.3 of this chapter, the Applicant must e-mail, fax or mail with registered receipt (email or fax to be "receipt confirmed") a completed "Neighborhood Organization Request" letter as provided in the pre-application to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located an area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request Neighborhood Organizations from that source in the same format;

(ii) If no reply letter is received from the local elected officials by the Pre-application Response to Neighborhood Organization Request Date, then the Applicant must certify to that fact in the ~~in the~~ pre-application;

(iii) The Applicant must list in the pre-application all Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as provided by the local elected officials, or that the Applicant has knowledge of (regardless of whether the organization is on record with the county or state) as of the pre-application submission.

(B) Not later than the date the pre-application is submitted, notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt return or similar tracking mechanism in the format required in the "Pre-application Notification Template" provided in the pre-application. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials, however, are required to notify county officials. Evidence of notification is required in the form of a certification provided in the pre-application, although it is encouraged that Applicants retain proof of delivery of the notifications, to the persons or entities prescribed in clauses (i) - (ix) of this subparagraph, in the event that the Department requires proof of notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by the recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the pre-application is submitted.

(i) Neighborhood Organizations on record with the state or county whose boundaries include the proposed Development Site;

(ii) Superintendent of the school district containing the Development;

(iii) Presiding officer of the board of trustees of the school district containing the Development;

(iv) Mayor of any municipality containing the Development;

(v) All elected members of the Governing Body of any municipality containing the Development;
(vi) Presiding officer of the Governing Body of the county containing the Development;
(vii) All elected members of the Governing Body of the county containing the Development;
(viii) State senator of the district containing the Development; and
(ix) State representative of the district containing the Development.

(C) Each such notice must include, at a minimum, all of the following:
(i) The Applicant's name, address, individual contact name and phone number;
(ii) The Development name, address, city and county;
(iii) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;
(iv) Whether the Development proposes New Construction, Reconstruction, Adaptive Reuse, or Rehabilitation;
(v) The type of Development being proposed (single family homes, duplex, apartments, townhomes, high-rise etc.) and population being served (general or elderly);
(vi) The approximate total number of Units and approximate total number of low-income Units;
(vii) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the approximate percentage of Units that are market rate;
(viii) The number of Units and proposed rents (less utility allowances) for the low-income Units and any market rate Units, if applicable. Rents to be provided are those that are effective at the time of the pre-application, which are subject to change as annual changes in the area median income occur; and
(ix) The expected completion date if credits are awarded.

(D) Pre-applications not meeting the Pre-application Threshold Criteria identified in this subsection will be terminated and the Applicant will receive a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Pre-application Threshold Criteria and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Pre-application Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled.

(d) **Pre-application Results.** Only pre-applications which have satisfied all of the Pre-application Threshold Criteria requirements set forth in subsection (c) of this section and §49.9(a)(14) of this chapter, will be eligible for pre-application points. The order and scores of those Developments released on the Pre-application Submission Log do not represent a Commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-application Submission Log. Inclusion of a Development on the Pre-application Submission Log does not ensure that an Applicant will receive points for a pre-application.

(e) **Application Submission.** An Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application in order to be considered for Housing Tax Credits.

(1) As used herein a "complete application" means an Application that meets all of the Department's criteria for an Application with all required information and exhibits provided pursuant to the application checklist provided in the Tax Credit (Procedures) Manual.
(2) For Applications submitted under the State Housing Credit Ceiling, the Application must be submitted by the Full Application Delivery Date as identified in §49.3 of this chapter. The Full Application Delivery Date for Tax-Exempt Bond Developments is triggered by the Certificate of Reservation issued by the Texas Bond Review Board and is further defined in §49.11 of this chapter (relating to Tax-Exempt Bond Developments).
(3) To submit the complete application the Applicant must deliver one (1) CD-R containing a PDF copy and Excel copy of the complete application to the Department.

(4) The Application must be accompanied by a paper certification with an original signature in the form provided in the Application. Furthermore, the Application must be a single file, individually bookmarked at each of the required volumes and exhibits presented in the order as required by the application checklist.
(5) If an Application is not submitted to the Department on or before the applicable deadline indicated in paragraph (1) of this subsection, the Applicant will be deemed to have not made an Application.
(6) The required Application fee as described in §49.14 of this chapter must be submitted with the Application in order for the Application to be accepted by the Department.
(7) Only one Application may be submitted for a site in an Application Round. While the Application Acceptance Period is open, an Applicant may withdraw an Application and subsequently file a new Application utilizing the original Pre-application Fee that was paid as long as no evaluation was performed by the Department.

(f) **Evaluation Process.** Applications submitted for consideration (including Tax Exempt Bond Developments) will be reviewed according to the Eligibility, Threshold and for competitive applications under the State Housing Credit Ceiling, for Selection Criteria. An Application, during any of these stages of review, may be determined to be ineligible as further described in §49.4 of this chapter. Applicants will be notified in these instances.

(g) **Subsequent Evaluation and Methodology for Award Recommendations to the Board.** The Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division. In general these will be those Applications identified as most competitive and that meet the requirements of Eligibility and Threshold. However, an Application may be reviewed by the Real Estate Analysis Division prior to the completion of the Eligibility and Threshold reviews. The procedure identified in paragraphs (1) - (6) of this subsection will also be used in making recommendations to the Board:
(1) Applications with the highest scores in the TRDO-USDA Allocation until the minimum requirements stated in §49.6(b)(2) of this chapter (relating to USDA Set-Aside) are attained. If an Application in this Set-Aside involves Rehabilitation it will be attributed to, and come from the, At-Risk Set-Aside; if an Application in this Set-Aside involves New Construction it will be attributed to and come from the applicable Uniform State Service Region;
(2) Applications with the highest scores in the At-Risk Set-Aside Statewide until the minimum requirements stated in §49.6(b)(3) of this chapter (relating to At-Risk Set-Aside) of this chapter are attained;
(3) Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments in each of the 26 sub-regions, regardless of Set-Aside, in accordance with the requirements under §49.6(a) of this chapter (relating to Regional Allocation Formula), without exceeding the credit amounts available for a Rural Regional Allocation and Urban Regional Allocation in each region. To the extent that Applications in the At-Risk and TRDO-USDA Set-Asides are not competitive enough within their respective Set-Asides, they will also be able to compete, with no Set-Aside preference, within their appropriate sub-region;
(4) If there are any tax credits set-aside for Developments in a Rural Area in a specific Uniform State Service Region that remain after allocation under paragraph (3) of this subsection those tax credits shall then be made available in any other Rural Area in the state to the Application in the most underserved Rural sub-region as compared to the Region's Rural Allocation. (§2306.111(d)(3)) This will be referred to as the Rural collapse;
(5) If there are any tax credits remaining in any sub-region after the Rural collapse, in the Rural Regional Allocation or Urban Regional Allocation, they then will be combined and made available to the Application in the most underserved sub-region as compared to the sub-region's allocation. This will be referred to as the statewide collapse;
(6) Staff will ensure that at least 10% of the State Housing Credit Ceiling is allocated to Qualified Nonprofit Organizations to satisfy the Nonprofit Set-Aside. If 10% is not met through the existing competitive process, then the Department will add the highest scoring Application by

a Qualified Nonprofit Organization statewide until the 10% Nonprofit Set-Aside is met. Staff will ensure that at least 20% of the State Housing Credit Ceiling is allocated to Rural Developments. If this 20% minimum is not met through the existing competitive process, then the Department will add the highest scoring Rural Development Application statewide until the 20% Rural Development Set-Aside is met. Selection for each of the Set-Asides will take precedence over selection for the Rural Regional Allocation and Urban Regional Allocation. Funds for the Rural Regional Allocation or Urban Regional Allocation within a region, for which there are no eligible feasible Applications, will be redistributed as provided in §49.6(c) of this chapter (relating to Redistribution of Credits). If the Department determines that an allocation recommendation would cause a violation of the $2 million limit described in §49.5(b) of this chapter (relating to Credit Amount), the Department will make its recommendation by selecting the Development(s) that most effectively satisfy the Department's goals in meeting Set-Aside and regional allocation goals. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available Housing Tax Credits according to regional allocation goals and Set-Aside categories. To enable the Board to establish a waiting list, the Department shall underwrite as many additional Applications as necessary to ensure that all available Competitive Housing Tax Credits are allocated within the period required by law. ((§2306.6710(a) - (f); §2306.111))

(h) **Underwriting Evaluation.** The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate allocation of Housing Tax Credits. In making this determination, the Department will use the Underwriting Rules and Guidelines found in §1.32 of this title. The Department may have an external party perform the underwriting evaluation to the extent it determines appropriate. The expense of any external underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation.

(i) **Compliance Evaluation.** After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status in accordance with Chapter 60 of this title (relating to Compliance Administration), and will be evaluated in detail for eligibility under §49.4 of this chapter.

(j) **Site Evaluation.** Site conditions shall be evaluated through a physical site inspection by the Department or its assigns. Such inspection will evaluate the Development Site based upon the criteria set forth in the Site Evaluation form. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, educational facilities, and employment centers. The site's appearance to prospective tenants and its accessibility via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites include, without limitation, those containing a non-mitigable environmental factor that may adversely affect the health and safety of the residents. For Developments applying under the TRDO-USDA Set-Aside, the Department may rely on the physical site inspection performed by TRDO-USDA.

(k) **Application Process for Rural Rescue Applications under the 2012 Credit Ceiling. The Rural Rescue Applications will be reviewed according to the process outlined in this subsection.**

(1) **Submission Requirements.** Rural Rescue Applications may be submitted during the Rural Rescue Application Submission Period as identified in §49.3 of this chapter. A complete Application must be submitted at least sixty (60) days prior to the date of the Board meeting at which the Applicant would like the Board to act on the proposed Development. Applications must include the full Application Fee as further described in §49.14 of this

chapter. Applicants must submit documents in accordance with the application checklist provided in the Tax Credit (Procedures) Manual for all Volumes, including Volume IV.

(A) Applications will be processed on a first-come, first-served basis. Applications unable to meet all Administrative Deficiency and underwriting requirements within thirty (30) days of the request by the Department, will remain under consideration, but will lose their submission status and the next Application in line will be moved ahead in order to expedite those Applications ready to proceed. Applications for Rural Rescue will be processed and evaluated as described in this paragraph. Applications will be reviewed to ensure that the Application is eligible as a rural "rescue" Development as described in paragraph (2) of this subsection.

(B) Prior to the Development being recommended to the Board, TRDO-USDA shall provide the Department with a copy of the physical site inspection report performed by TRDO-USDA, if applicable.

(2) **Eligibility and Threshold Review.** All Rural Rescue Applications will be reviewed pursuant to §49.8 and §49.9 of this chapter. Additional eligibility requirements include the criteria listed in subparagraphs (A) - (C) of this paragraph. Applications found to be ineligible will be notified.

(A) Applications must be funded through TRDO-USDA;

(B) Applications must be able to provide evidence that the loan:

(i) has been foreclosed and is in the TRDO-USDA inventory; or

(ii) is being foreclosed; or

(iii) is being accelerated; or

(iv) is in imminent danger of foreclosure or acceleration; or

(v) is for an Application in which two adjacent parcels are involved, of which at least one parcel qualifies under clauses (i) - (iv) of this subparagraph and for which the Application is submitted under one ownership structure, one financing plan and for which there are no market rate units; and

(C) Applicants must be identified as in compliance with TRDO-USDA regulations.

(3) **Selection Criteria Review.** All Rural Rescue Applications will be evaluated against the Selection Criteria pursuant to §49.9 of this chapter and a score will be assigned to the Application. The minimum score for Selection Criteria as identified in §49.9(a) of this chapter is not required to be achieved to be eligible.

(4) **Credit Ceiling and Applicability of this chapter.** All Rural Rescue Applicants will receive their credit allocation out of the 2012 Credit Ceiling and therefore, will be subject to the rules and guidelines identified in the 2012 Qualified Allocation Plan (QAP). However, because the 2012 QAP will not be in effect during the time period that the Rural Rescue Applications can be submitted, Applications submitted and eligible under the Rural Rescue Set-Aside will be considered to have satisfied the requirements of the 2012 QAP by having satisfied the requirements of the 2011 QAP, to the extent permitted by statute.

(5) **Procedures for Recommendation to the Board.** Consistent with subsection (c) of this section, staff will make its recommendation to the Committee. The Committee will make Commitment recommendations to the Board. Staff will provide the Board with a written, documented recommendation which will address at a minimum the financial and programmatic viability of each Application and a breakdown of which Selection Criteria were met by the Applicant. The Board will make its decision based on §49.10(a) of this chapter (relating to Board Decisions). Any award made to a Rural Rescue Development will be credited against the TRDO-USDA Set-Aside for the 2011 Application Round, as required under subsection (g)(3) of this section.

(6) **Limitation on Allocation.** No more than $350,000 in credits will be forward committed from the 2011 State Housing Credit Ceiling. To the extent Applications are received that exceed

the maximum limitation; staff will prepare the award for Board consideration noting for the Board that the award would require a waiver of this limitation.

**§49.8. Threshold Criteria.**

The Threshold Criteria listed in this section are mandatory requirements that must be submitted at the time of Application submission unless specifically indicated otherwise. If any of the Threshold Criteria indicated below are not resolved, clarified or corrected to the satisfaction of the Department, through the Administrative Deficiency process the Application will be terminated.

(1) **Submission of the Application.** Includes the entire Uniform Application and any other supplemental forms which may be required by the Department and in the format prescribed by the Department. (§2306.1111)

(2) **Governing Body Resolutions.** The following resolutions, if applicable to the proposed Development, must be submitted by the Resolutions Delivery Date as indicated in §49.3 of this chapter (relating to Program Calendar) and may not be more than one year old from the date the Volume 1 is submitted to the Department.

(A) **Twice the State Average.** If the Development is located in a municipality or if located completely outside a municipality, a county, that has more than twice the state average of units per capita supported by Housing Tax Credits or private activity bonds at the time the Application Round begins (or for Tax-Exempt Bond Developments at the time the Certificate of Reservation is issued by the Texas Bond Review Board) the Applicant must obtain prior approval of the Development from the Governing Body of the appropriate municipality or county containing the Development. Such approval must reference this rule and authorize an allocation of Housing Tax Credits for the Development; (§2306.6703(a)(4))

(B) **One Mile Three Year Rule.** If the Applicant proposes to construct a Development proposing New Construction or Adaptive Reuse (excluding New Construction of non-residential buildings) that is located one linear mile (measured by a straight line on a map) or less from a Development that: (§2306.6703(a)(3))

(i) Serves the same type of household as the new Development, regardless of whether the Development serves families, elderly individuals, or another type of household; and

(ii) has received an allocation of Housing Tax Credits or private activity bonds for any New Construction at any time during the three-year period preceding the date the Application Round begins (or for Tax-Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(iii) has not been withdrawn or terminated from the Housing Tax Credit Program;

(iv) an Application is not ineligible under this paragraph if:

(I) the Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. §§12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. §§5301 et seq.); or

(II) the Development is located in a county with a population of less than one million; or

(III) the Development is located outside of a metropolitan statistical area; or

(IV) the Governing Body, of the Unit of General Local Government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) - (C) of this paragraph.

(v) In determining when an existing Development received an allocation as it relates to the application of the three-year period, the Development will be considered from the date the Board took action on approving the allocation of tax credits. In dealing with ties between two or more Developments as it relates to this rule, refer to §49.9(b) of this chapter (relating to Selection Criteria).

(C) **Developments in Certain Census Tracts.** Staff will not recommend and the Board will not allocate Housing Tax Credits for a Competitive Housing Tax Credit or Tax-Exempt Bond Development located in a census tract that has more than 30% Housing Tax Credit Units per total households in the census tract as established by the U.S. Census Bureau for the most recent Decennial Census unless:
(i) The Development is in a Place whose population is less than 100,000;
(ii) The Applicant proposes only Reconstruction or Rehabilitation (excluding New Construction of non-residential buildings); or
(iii) Submits to the Department an approval of the Development referencing this rule in the form of a resolution from the Governing Body of the appropriate municipality or county containing the Development. These ineligible census tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report.

(3) **Rehabilitation Costs.** Developments involving Rehabilitation must establish that the Rehabilitation will substantially improve the condition of the housing and will involve at least $15,000 per Unit in direct hard costs (including site work, contingency, contractor profit, overhead, and general requirements) unless financed with TRDO-USDA in which case the minimum is $9,000.

(4) **Experience Certification.** No later than the Experience Certification Delivery Date as indicated in §49.3 of this chapter, an Applicant must submit the documents required in this section to obtain the required certification. Upon receipt of the evidence required under this section, a certification from the Department will be provided to the Applicant for inclusion in its Application(s). Experience must meet the criteria of both subparagraphs (A) and (B) of this paragraph with evidence of such provided as stated in subparagraphs (C) and (D) of this paragraph.
(A) One of the Principals of the Development Owner, General Partner, Developer or the General Contractor must provide evidence reasonably acceptable to the Department that they have acquired actual experience through previous participation in and subsequent completion of comparable residential units (single family, multifamily) as demonstrated by the submission of a housing tax credit Application, receipt of award, submission of post award activities (Commitment, Carryover, 10% test, etc.), construction oversight, lease-up, stabilization, and receipt of IRS Forms 8609. Executive Directors of non-profits and public housing authorities may qualify for this experience requirement; and
(B) The Principal requesting the certificate must have experience with the same type of construction as the Application is proposing (single family, multifamily, new construction, rehabilitation, etc.) and have acquired their experience in connection with a development with at least 80% as many units as the Units in the Development for which Application is being made, in no event less than 36 units. The Department will, in issuing an Experience Certificate, state any limitations. Persons who establish that they have participated in the development of 200 units or more will not be further restricted by size. Experience of multiple parties may not be aggregated. Rehabilitation experience must have been substantial and involved at least $15,000 of direct cost per Unit.
(C) Evidence for experience must clearly indicate that:
(i) the Principal was a Principal of the Development Owner, General Partner or Developer (of the Development submitted as experience) during the complete specified timeframe and process as identified in subparagraph (A) of this paragraph; and
(ii) the Development has been completed (as evidenced by the number of Units completed); and

(iii) the names on the forms and agreements tie back to the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals as listed in the Application; and

(D) One or more of the following documents must be submitted as evidence of completion of the development:

(i) American Institute of Architects (AIA) Document A111 - Standard Form of Agreement between Owner & Contractor;

(ii) AIA Document G704 - Certificate of Substantial Completion;

(iii) AIA Document G702 - Application and Certificate for Payment;

(iv) Certificate of Occupancy;

(v) IRS Form 8609, (only one for per development is required);

(vi) HUD Form 9822;

(vii) Development agreements;

(viii) Partnership agreements; or

(ix) other documentation satisfactory to the Department verifying that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals have the required experience.

(5) **Certifications.** The "Certification Form" provided in the Application confirming the following items:

(A) A certification of the basic common amenities selected for the Development. All Developments must meet at least the minimum threshold of points based on the total number of Units in the Development. These points are not associated with the Selection Criteria points in §49.9(a) of this chapter. The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use, then the amenity may not be included among those provided to satisfy this requirement. Developments proposing Rehabilitation (excluding Reconstruction) or proposing Single Room Occupancy will receive 1.5 points for each point item (do not round). Applications for non-contiguous scattered site housing, excluding non-contiguous single family sites, ~~including New Construction, Reconstruction, Adaptive Reuse, Rehabilitation, and single-family design,~~ will have the threshold test applied based on the number of Units per individual site, and must submit a separate certification for each individual site under control by the Applicant. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §49.13(b) of this chapter (relating to Amendments) and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost, or in the cancellation of a Commitment, Determination Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

(i) Applications must meet a minimum threshold of points as follows:

(I) Total Units are less than 16, 1 point is required to meet Threshold;

(II) Total Units are 17 to 24, 3 points are required to meet Threshold;

(III) Total Units are 25 to 40, 4 points are required to meet Threshold;

(IV) Total Units are 41 to 76, 7 points are required to meet Threshold;

(V) Total Units are 77 to 99, 10 points are required to meet Threshold;

(VI) Total Units are 100 to 149, 13 points are required to meet Threshold;

(VII) Total Units are 150 to 199, 16 points are required to meet Threshold; or

(VIII) Total Units are 200 or more, 19 points are required to meet Threshold;

(ii) The amenities include those items listed in subclauses (I) - (XXVI) of this clause. Both general population and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in subparagraphs (D) and (F) of this paragraph. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population. The Applicant is instructed to review Chapter 60 of this title (relating to

Compliance Administration) for detailed definitions and standards as it relates to the amenities listed in this subparagraph;

(I) Full perimeter fencing (2 points);
(II) Controlled gate access (2 points);
(III) Gazebo w/sitting area (1 point);
(IV) Accessible walking/jogging path separate from a sidewalk (1 point);
(V) Community laundry room with at least one washer and dryer for each 25 Units (1 point);
(VI) Barbecue grill and picnic table-at least one of each for every 50 Units (1 point);
(VII) Covered pavilion that includes barbecue grills and tables (2 points);
(VIII) Swimming pool (3 points);
(IX) Furnished fitness center (2 points);
(X) Equipped and functioning business center or equipped computer learning center (2 points);
(XI) Furnished Community room (1 point);
(XII) Library with an accessible sitting area (separate from the community room) (1 point);
(XIII) Enclosed community sun porch or covered community porch/patio (2 points);
(XIV) Service coordinator office in addition to leasing offices (1 point);
(XV) Senior Activity Room (Arts and Crafts, etc.) (2 points);
(XVI) Health Screening Room (1 point);
(XVII) Secured Entry (elevator buildings only) (1 point);
(XVIII) Horseshoe pit, putting green or shuffleboard court (1 point);
(XIX) Community Dining Room w/full or warming kitchen (3 points);
(XX) One Children's Playscape Equipped for 5 to 12 year olds, or one Tot Lot (1 point);
(XXI) Two Children's Playscapes Equipped for 5 to 12 year olds, two Tot Lots, or one of each (2 points);
(XXII) Sport Court (Tennis, Basketball or Volleyball) (2 points);
(XXIII) Furnished and staffed Children's Activity Center (3 points);
(XXIV) Community Theater Room equipped with a 52 inch or larger screen with surround sound equipment; DVD player; and theater seating (3 points);
(XXV) Dog Park (2 points); or
(XXVI) Green Building amenities that include the following:

(-a-) Development Energy Savings (1 point for each item):

(-1-) at least 50% of the water needed annually for site irrigation is from a rain water harvesting/collection system and/or locally approved gra~~e~~y water collection system; or

(-2-) native trees and plants installed that are appropriate to the site's soils and microclimate and located to allow for shading in the summer and~~ allow for~~ heat gain in the winter;

(-b-) Tenant Energy Savings (2 points for each item):

(-1-) On-site photovoltaic panels or wind-driven turbines for generating at least 5kW of electricity that are incorporated into the engineered structural design of the roof(s) and neither of which protrude from any roof structure by more than 8 feet and are designed and wired to supplement the Development's electric power. Photographs and data sheets of the proposed equipment must be submitted with the Application;

(-2-) If the glazing area on the north- and south-facing walls of the building is at least 50% greater than the sum of the glazing area on the east- and west-facing walls; and the east-west axis of the building is within 15 degrees of due east-west;

(-3-) If the east-west axis of the building oriented within 15 degrees of due east-west utilizes a narrow floor plate (less than 40 feet) and single loaded corridors and open floor plan to optimize daylight penetration and passive ventilation;

(-4-) 100% of HVAC condenser units are located so they are fully shaded 75% of the time during summer months (May through August);

(-5-) Solar screens or solar film on all East, West, and South Windows with building oriented to east-west axis within 15 degrees of due east-west; applies only to rehabilitation where windows are not replaced with Energy Star rated windows;

(-6-) Install low-flow or high efficiency toilets that exceed State requirements;

(-7-) Install bathroom lavatory faucets, showerheads and kitchen faucets that exceed the State standard. All fixtures throughout the ~~d~~Development must meet the standard at the time of Application. Rehabilitation Developments may install compliant faucet aerators instead of replacing entire faucets;

(-8-) Provide solar water heaters designed to provide at least 25% of the average energy used to heat domestic water throughout the entire ~~d~~Development;

(-9-) Sub-metered utility meters for any utility in a ~~on~~ Rehabilitation Development which was not already sub-metered at the time of Application;~~without existing sub-meters;~~

(-10-) If the ~~d~~Development uses Energy-Star qualified windows and glass doors exclusively; insulation, and air barriers greater than or equal to Energy Star air barrier and insulation criteria; and Energy Star rated HVAC, and domestic hot water heaters, and insulation that exceeds Energy Star standards;

(-11-) If the ~~project~~Development promotes energy efficiency by demonstrating a certified HERS score of 85 or lower;

(-12-) Thermally and draft efficient doors (SHGC of 0.40 or lower (for doors with glass) and U-value specified by climate zone according to the 2006 IECC) (2 points); or

(-13-) Recycling service provided throughout the compliance period;

(-c-) Other Green Features/Indoor Health (1 point for each item):

(-1-) Renewable materials, provide at least one of the following: bamboo flooring, wool carpet, linoleum flooring, straw board cabinetry, poplar OSB, or cotton batt insulation;

(-2-) Healthy flooring, provide at least one of the following for 50% of flooring: finished concrete or ceramic tile resilient flooring material that is Floor Score Certified, applied with a Floor Score Certified adhesive and comes with a minimum seven (7) year wear through warranty; or

(-3-) Healthy finish materials, use paints, stains, adhesives, and sealants consistent with the Green Seal 11 standard or other applicable Green Seal standard;

(-d-) LEED (Leadership in Energy and Environmental Design) Certification. If at the time of Cost Certification a LEED Certification (Certified, Silver, Gold or Platinum levels) for the Development is obtained then the maximum points allowed under this paragraph will be awarded and none of the green building amenities selected under this paragraph will need to be substantiated. Conversely, if at the time of Cost Certification a LEED Certification has not been obtained then the Applicant will be required to prove up 6 points under this subparagraph;

(B) A certification that the Development will meet the minimum threshold for size of Units as provided in clauses (i) - (v) of this subparagraph. These minimum requirements are not associated with the points in §49.9(a)(4) of this chapter. Developments proposing Rehabilitation (excluding Reconstruction) or Single Room Occupancy will not be subject to the requirements of this subparagraph.

(i) 550 square feet for an Efficiency Unit;

(ii) 650 square feet for a one Bedroom Unit that is not in a Qualified Elderly Development; 550 square feet for a one Bedroom Unit in a Qualified Elderly Development;

(iii) 900 square feet for a two Bedroom Unit that is not in a Qualified Elderly Development; 700 square feet for a two Bedroom Unit in a Qualified Elderly Development;
(iv) 1,000 square feet for a three Bedroom Unit; and
(v) 1,200 square feet for a four Bedroom Unit;

(C) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or if no local building codes are in place then to the most recent version of the International Building Code.

(D) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), the Fair Housing Amendments Act of 1988 (42 U.S.C. §§3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. §§2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101 et seq.); the Rehabilitation Act of 1973 (29 U.S.C. §§701 et seq.); Fair Housing Accessibility; the Texas Fair Housing Act; and that the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, the Code Requirements for Housing Accessibility 2000 (or as amended from time to time) produced by the International Code Council and the Texas Accessibility Standards. (§2306.257; §2306.6705(7))

(E) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit a report at least once in each 90-day period following the date of the Commitment until the Cost Certification is submitted, in a format prescribed by the Department and provided at the time a Commitment is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses. (§2306.6734)

(F) Pursuant to §2306.6722 of the Texas Government Code, any Development supported with a Housing Tax Credit allocation shall comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C. The Applicant must provide a certification from the Development engineer, an accredited architect or Department-approved third party accessibility specialist, that the Development will comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C, and this subparagraph. (§2306.6722 and §2306.6730)

(G) For Developments involving New Construction (excluding New Construction of non-residential buildings) where some Units are two-stories or single family design and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A similar certification will also be required after the Development is completed from an inspector, architect, or accessibility specialist.

(H) A certification that the Development will be equipped with energy saving devices that meet the standard statewide energy code adopted by the state energy conservation office, unless historic preservation codes permit otherwise for a Development involving historic preservation. The measures must be certified by the Development architect as being included in the design of each tax credit Unit at the time the 10% Test Documentation is submitted and in actual construction upon Cost Certification. (§2306.6725(b)(1))

(I) A certification that the Development will be built by a General Contractor hired by the Development Owner or the Applicant; if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

(J) A certification that the Development Owner agrees to establish a reserve account consistent with §2306.186 of the Texas Government Code and as further described in §1.37 of this title (relating to Reserve for Replacement Rules and Guidelines).

(K) A certification that the Applicant, Developer, or any employee or agent of the Applicant has not formed a Neighborhood Organization for purposes of §49.9(a)(2) of this chapter, has not given money or a gift to cause the Neighborhood Organization to take its position of support or opposition, nor has provided any assistance to a Neighborhood Organization outside of the assistance allowed under §49.9(a)(2)(A)(viii) to meet the requirements under §49.9(a)(2) of this chapter as it relates to the Applicant's Application or any other Application under consideration in 2011.

(L) Operate in accordance with the requirements pertaining to rental assistance in Chapter 60 of this title.

(M) A certification that the Development Owner will contract with a Management Company throughout the Compliance Period that will perform criminal background checks on all adult tenants, head and co-head of households.

(N) A certification that the Development Owner will affirmatively market to veterans through direct marketing or contracts with veteran's organizations. The Development Owner will be required to identify how they will affirmatively market to veteran~~'~~s and report to the Department in the annual housing report on the results of the marketing efforts to veterans. Exceptions to this requirement must be approved by the Department.

(O) A certification that the ~~Developer or Principal of the Applicant~~Applicant, Development Owner, Developer or Guarantor involved with the Application has not been voluntarily or involuntarily removed by a lender, equity provider, or other investors or owners~~,~~ as a Principal during the previous ten (10) years, however designated, or any combination thereof or if any litigation to effectuate such removal has been instituted and is continuing at the time of Application. If an Applicant or Developer signs the certification, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded.

(6) **Architectural Drawings.** While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving New Construction, or conversion of existing buildings not configured in the Unit pattern proposed in the Application, must provide all of the items identified in subparagraphs (A) - (C) of this paragraph. For Developments involving Rehabilitation for which the Unit configurations are not being altered, only the items identified in subparagraphs (A) and (C) of this paragraph are required:

(A) A site plan which:

(i) Is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;

(ii) Is consistent with the number of buildings and building type/unit mix specified in the "Building/Unit Configuration" provided in the Application;

(iii) Identifies all residential and common buildings; and

(iv) Clearly delineates the flood plain boundary lines and shows all easements;

(B) Floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition. Adaptive Reuse Developments, are only required to provide building plans delineating each Unit by number, type and area consistent with those in the "Rent Schedule" and pictures of each elevation of the existing building depicting the height of each floor and percentage estimate of the exterior composition; and

(C) Unit floor plans for each type of Unit. The Net Rentable Areas these Unit floor plans represent should be consistent with those shown in the "Rent Schedule" and "Building/Unit Configuration" provided in the Application. Adaptive Reuse Developments, are only required to provide Unit floor plans for each distinct typical Unit type (i.e. one-bedroom, two-bedroom) and for all Unit types that vary in Net Rentable Area by 10% from the typical Unit.

(7) **Development Costs, Corresponding Credit Request and Syndication Information.**

(A) All Developments must submit the "Development Cost Schedule" provided in the Application. This exhibit must have been prepared and executed not more than six (6) months prior to the close of the Application Acceptance Period.

(B) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.

(C) If projected site work costs (excluding ineligible demolition costs) include unusual or extraordinary items or exceed $9,000 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible.

(8) **Readiness to Proceed.**

(A) **Site Control.** Evidence of Site Control in the name of the Development Owner. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All of the sellers of the proposed Property for the thirty-six (36) months prior to the first day of the Application Acceptance Period and their relationship, if any, to members of the Development team must be identified at the time of Application (not required at Pre-application). One of the following items described in clauses (i) - (iii) of this subparagraph must be provided:

(i) A recorded warranty deed with corresponding executed settlement statement, unless required to submit items under clause (iv) of this subparagraph; or

(ii) A contract for lease (the minimum term of the lease must be at least forty-five (45) years) which is valid for the entire period the Development is under consideration for tax credits; or

(iii) A contract for sale, an exclusive option to purchase or a lease which is valid for the entire period the Development is under consideration for tax credits by the same Development Owner, Applicant or Affiliate as indicated at pre-application. For Tax Exempt Bond Development Applications, site control must be valid through December 1, 2010 with option to extend through March 1, 2011 (Applications submitted for lottery) or ninety (90) days from the date of the Certificate of Reservation with the option to extend through the scheduled TDHCA Board meeting at which the award of Housing Tax Credits will be considered (Applications not submitted for lottery). The potential expiration of Site Control does not warrant the Application being presented to the TDHCA Board prior to the scheduled meeting. Proof of consideration, as specified in the contract, must be submitted.

(iv) If the acquisition can be characterized as an identity of interest transaction, as described in §1.32 of this title (relating to Underwriting Rules and Guidelines) subclauses (I) - (III) of this clause must be provided:

(I) Documentation of the original acquisition cost in the form of a settlement statement or, if a settlement statement is not available, the seller's most recent audited financial statement specifically indicating the asset value for the Development Site; and

(II) If the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost claimed in the Application;

(-a-) An appraisal meeting the requirements of paragraph (14)(D) of this section; and

(-b-) Any other verifiable costs of owning, holding, or improving the Property that, when added to the value from subclause (I) of this clause, justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include property taxes, interest expense, capitalized costs of any physical improvements made to the property that benefit the proposed Development, the cost of rezoning, replatting and ~~or~~ any off-site costs to provide utilities or improve access to the property that benefit the proposed Development. Additionally, an annual return of 10% may be applied to the original acquisition cost and documented holding and improvement costs; this return can be applied from the date the applicable cost is incurred until the date of the Department's Board meeting at which the subject Development's award will be considered.

(-2-) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property, and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the property and avoid foreclosure. Additionally, an annual return of 10% may be applied to the original acquisition cost and documented holding and improvement costs; this return can be applied from the date the applicable cost was incurred until the date of the Department's Board meeting at which the subject Development's award will be considered. For any period of time during which the existing buildings are occupied or otherwise producing revenue, holding costs may not include operating expenses, including, but not limited to, property taxes and interest expense.

(III) In no instance will the acquisition cost utilized by the underwriter exceed the lesser of the original acquisition cost evidenced by subclause (I) of this clause plus costs identified in subclause (II)(-b-) of this clause, or the "as-is" value conclusion evidenced by subclause (II)(-a-) of this clause. The resulting acquisition cost will be referred to as the "identity of interest adjusted acquisition cost."

(B) **Zoning.** Evidence from the appropriate local municipal authority that satisfies one of clauses (i) - (iii) of this subparagraph. Documentation may be from more than one department of the municipal authority and must have been prepared and executed not more than six (6) months prior to the close of the Application Acceptance Period. (§2306.6705(5))

(i) For New Construction, Adaptive Reuse or Reconstruction Developments, a letter from the chief executive officer of the Unit of General Local Government or another local official with appropriate jurisdiction stating that:

(I) The Development is located within the boundaries of a Unit of General Local Government which does not have a zoning ordinance; and either subclause (II) or (III) of this clause;

(II) The letter must state that the Development is consistent with a local consolidated plan, comprehensive plan, or other local planning document that addresses affordable housing; or

(III) The letter must state that there is a need for affordable housing, if no such planning document exists;

(ii) For New Construction or Reconstruction Developments, a letter from the chief executive officer of the Unit of General Local Government or another local official with appropriate jurisdiction stating that:

(I) The Development is permitted under the provisions of the zoning ordinance that applies to the location of the Development; or

(II) The Applicant is in the process of seeking the appropriate zoning and has signed and provided to the Unit of General Local Government a release agreeing to hold the Unit of General Local Government and all other parties harmless in the event that the appropriate zoning is denied. (§2306.6705(5)(B)) Documentation of final approval of appropriate zoning must be submitted to the Department with the Commitment or Determination Notice. No extensions may be requested ~~for~~ to the deadline for submitting evidence of final approval of appropriate zoning.

(iii) For Rehabilitation Developments, documentation of current zoning is required. If the property is currently a non-conforming use as presently zoned, a letter from the chief executive officer of the Unit of General Local Government or another local official with appropriate jurisdiction which addresses the items in subclauses (I) - (IV) of this clause:

(I) A detailed narrative of the nature of non-conformance;

(II) The applicable destruction threshold;

(III) Owner's rights to reconstruct in the event of damage; and

(IV) Penalties for noncompliance.

(C) **Financing Requirements.**

(i) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Any local, state or federal financing identified in this section which restricts household incomes at any AMGI lower than restrictions required pursuant to this chapter must be identified in the "Rent Schedule" and the local, state or federal income restrictions must include corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g) of the Code. The income and corresponding rent restrictions will be imposed by the Housing Tax Credit LURA and monitored throughout the extended use period. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in subclauses (I) - (IV) of this clause:

(I) Financing is in place as evidenced by:

(-a-) A valid and binding loan agreement; and

(-b-) Deed(s) of trust in the name of the Development Owner as grantor; or

(-c-) For TRDO-USDA §515 Developments involving, an executed TRDO-USDA letter indicating TRDO-USDA has received a notification of the tax credit Application; or

(II) Commitment or term sheet for the interim and permanent loans issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the Development Owner and includes the following as identified in items (-a-) - (-d-) of this subclause:

(-a-) Has been executed by the lender; and

(-b-) A minimum loan term of fifteen (15) years with at least a thirty (30) year amortization; and

(-c-) An expiration date; and

(-d-) All the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate, any required Guarantors, and anticipated developer fees paid during construction and anticipated deferred developer fees. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or

(III) Any federal, state or local gap financing, whether of soft or hard debt, must be identified at the time of Application as evidenced by:

(-a-) A term sheet or commitment from the lending agency which clearly describes the amount and terms of the funding must be submitted. If applying for points under §49.9(a)(5) of this chapter then documentation must be submitted as required by the deadlines stated therein; and

(-b-) Evidence of application for funding from another Department program is not required except as indicated on the Uniform Application, as long as the Department funding is on a concurrent funding period with the Application submitted and the Applicant clearly indicates that such an Application has been filed as required by the application checklist in the Tax Credit (Procedures) Manual; and

(IV) If the Development will be financed through more than 5% of Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Development Owner to provide the proposed financing with funds that are not otherwise committed together with a letter from the Development Owner's bank or banks confirming that sufficient funds are available to the Development Owner. Documentation must have been prepared and executed not more than six (6) months prior to the close of the Application Acceptance Period;

(ii) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application; and (§2306.6705(1))

(iii) Provide a term sheet or letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of Housing Tax Credits requested for allocation to the Development Owner, including pay-in schedules, anticipated developer fees paid during construction and anticipated deferred developer fees, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis. (§2306.6705(2) and (3))

(D) **Tax Assessment and Title.** Provide the documents in clauses (i) and (ii) of this subparagraph:

(i) A current valuation report from the county tax appraisal district and documentation of the current total property tax rate for the Development Site (unless the site is located on land that is not subject to federal, state or local property taxes); and

(ii) A copy of:

(I) The current title policy (or title status report if on Tribal Land) including a legal description which shows that the ownership (or leasehold) of the Development Site is vested in the name of the Development Owner; or

(II) a current title commitment including a legal description, with the proposed insured matching the name of the Development Owner and the title of the Development Site vested in the name of the seller or lessor as indicated on the sales contract, option or lease;

(III) If the title policy, title status report, or commitment is more than six (6) months old as of the day the Application Acceptance Period closes, then a letter from the title company/Bureau of Indian Affairs indicating that nothing further has transpired on the policy, title status report or commitment must be provided.

(9) **Notifications.**

(A) **Evidence in the form of a certification that the Applicant met the requirements and deadlines identified in clauses (i) - (iii) of this subparagraph.** Notification must not be older than three (3) months from the first day of the Application Acceptance Period. (§2306.6705(9)) If evidence of these notifications was submitted with the pre-application for the same Application and satisfied the Department's review of Pre-application Threshold, then no additional notification is required at Application. However, re-notification is required by tax credit Applicants who have submitted a change in the Application, whether from pre-application to Application or as a result of an Administrative Deficiency that reflects a total

Unit increase of greater than 10%, a total increase of greater than 10% for any given level of AMGI, or a change to the population being served (elderly or general). For Applications submitted for Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.), notifications and proof thereof must not be older than three (3) months prior to the date the Volume III of the Application is submitted.

(i) The Applicant must request a list of Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site from local elected officials as follows:

(I) No later than the Full Application Neighborhood Organization Request Date as identified in §49.3 of this chapter, the Applicant must e-mail, fax or mail with registered receipt a completed "Neighborhood Organization Request" letter as provided in the Application to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located an area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request Neighborhood Organizations from that source in the same format;

(II) If no reply letter is received from the local elected officials by the Full Application Response to Neighborhood Organization Request Date, then the Applicant must certify to that fact in the certification form provided in the Application;

(III) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as outlined by the local elected officials, or that the Applicant has knowledge of (regardless of whether the organization is on record with the county or state) as of the submission of the Application, in the certification form provided in the Application.

(ii) No later than the date the Application is submitted, notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt return or similar tracking mechanism e-mail, fax or mail with registered receipt in the format required in the "Application Notification Template" provided in the Application. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials, however, are required to notify county officials. Evidence of notification is required in the form of a certification provided in the Application, although it is encouraged that Applicants retain proof of delivery of the notifications, to the persons or entities prescribed in subclauses (I) - (IX) of this clause, in the event that the Department requires proof of notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Application is submitted.

(I) Neighborhood Organizations on record with the state or county whose boundaries include the proposed Development Site as identified in clause (i)(III) of this subparagraph;

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Mayor of the Governing Body of any municipality containing the Development;

(V) All elected members of the Governing Body of any municipality containing the Development;

(VI) Presiding officer of the Governing Body of the county containing the Development;

(VII) All elected members of the Governing Body of the county containing the Development;
(VIII) State senator of the district containing the Development; and
(IX) State representative of the district containing the Development.
(iii) Each such notice must include, at a minimum, all of the following:
(I) The Applicant's name, address, individual contact name and phone number;
(II) The Development name, address, city and county;
(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs (TDHCA);
(IV) Statement of whether the Development proposes New Construction, ~~r~~Reconstruction, Adaptive Reuse or Rehabilitation;
(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, high-rise etc.) and population being served (family or elderly);
(VI) The approximate total number of Units and approximate total number of low-income Units;
(VII) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the approximate percentage of Units that are market rate;
(VIII) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Application, which are subject to change as annual changes in the area median income occur; and
(IX) The expected completion date if credits are awarded.

(B) **Signage on Property or Alternative.** A Public Notification Sign shall be installed on the Development Site prior to the date the Application is submitted, as evidenced in the Certification of Notification provided in the Application, unless prohibited by local ordinance or code or restrictive covenants. Scattered site Developments must install a sign on each non-contiguous Development Site. The sign must identify that a residential development is being proposed and must provide contact information for the Applicant in the form of a phone number or web address where they can obtain more information. The Applicant shall make reasonable efforts to maintain the sign on the site until the day that the Board takes final action on the Application for the Development. In areas where the Public Notification Sign is prohibited by local ordinance or code or restrictive covenant, an alternative to installing a Public Notification Sign and at the same required time, the Applicant shall, mail written notification to those addresses described in either clause (i) or (ii) of this subparagraph. This written notification must include the information otherwise required for the sign as provided in the Application. The final Application must include a map of the proposed Development Site and mark the distance required by clause (i) or (ii) of this subparagraph, up to 1,000 feet, showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. If Public Notification Sign is prohibited by local ordinance or code or restrictive covenant, evidence of the applicable ordinance or code or restrictive covenant must be submitted in the Application.
(i) All addresses required for notification by local zoning notification requirements. For example, if the local zoning notification requirement is notification to all those addresses within 200 feet, then that would be the distance used for this purpose; or
(ii) For Developments located in communities that do not have zoning, communities that do not require a zoning notification or those located outside of a municipality, all addresses located within 1,000 feet of any part of the proposed Development Site.

(C) If any of the Units in the Development are occupied at the time of Application, then the Applicant must certify that it has notified each tenant at the Development of all the information otherwise required on the sign, including the Department's public hearing schedule for comment on submitted Applications.

(10) **Development's Proposed Ownership Structure.**

(A) A chart which clearly illustrates the complete organizational structure of the final proposed Development Owner and of any Developer or Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer or Guarantor, as applicable, whether directly or through one or more subsidiaries. Nonprofit entities, public housing authorities, publicly traded corporations, individual board members, and executive directors must be included in this exhibit and trusts must list all beneficiaries that have the legal ability to control or direct activities of the trust and are not just financial beneficiaries.

(B) Each Applicant, Development Owner, Developer or Guarantor, or any entity shown on an organizational chart as described in subparagraph (A) of this paragraph that has ownership interest in the Development Owner, Developer or Guarantor, shall provide for entities that are not yet formed but are to be formed either in or outside of the state of Texas, a certificate of name reservation of the entity name from the Texas Office of the Secretary of State.

(C) Evidence that each entity shown on the organizational chart described in subparagraph (A) of this paragraph that has ownership interest in the Development Owner, Developer or Guarantor, has provided a copy of the completed and executed Previous Participation and Background Certification Form to the Department. Nonprofit entities, public housing authorities and publicly traded corporations are required to submit documentation for the entities involved; documentation for individual board members and executive directors is required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. The 2011 versions of these forms, as required in the Uniform Application, must be submitted. Units of General Local Government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or Control of the Person. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(D) The experience certification, as further described under paragraph (4) of this section, is submitted that reflects a Person that appears in the organizational chart provided in subparagraph (A) of this paragraph.

(11) **Development's Projected Income and Operating Expenses.**

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections (operating statements from comparable properties);

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds or proof of application for such funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement; (§2306.6705(4))

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate;

(D) Occupied Developments undergoing Rehabilitation must also submit the items described in clauses (i) - (iv) of this subparagraph;

(i) The items in subclauses (I) and (II) of this clause are required unless the current property owner is unwilling to provide the required documentation. In that case, submit a signed statement as to the Applicant's inability to provide all documentation as described:

(I) Submit at least one of the following:

(-a-) Historical monthly operating statements of the subject Development for twelve (12) consecutive months ending not more than three (3) months from the first day of the Application Acceptance Period;
(-b-) The two (2) most recent consecutive annual operating statement summaries;
(-c-) The most recent consecutive six (6) months of operating statements and the most recent available annual operating summary;
(-d-) All monthly or annual operating summaries available; and
(II) A rent roll not more than six (6) months old as of the first day the Application Acceptance Period, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, and tenant names or vacancy;
(ii) A written explanation of the process used to notify and consult with the tenants in preparing the Application; (§2306.6705(6))
(iii) For Qualified Elderly Developments, identification of the number of existing tenants qualified under the target population elected under this title;
(iv) A relocation plan outlining relocation requirements and a budget with an identified funding source; and (§2306.6705(6))
(v) If applicable, evidence that the relocation plan has been submitted to the appropriate legal or governmental agency. (§2306.6705(6))

(12) **Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.** All Applications under the State Housing Credit Ceiling involving a nonprofit General Partner, regardless of whether the Nonprofit Set-Aside was selected, in which the Development will receive some financial or tax benefit for the involvement of the nonprofit General Partner, must submit all of the documents described in this subparagraph and indicate the nonprofit status on the carryover documentation and IRS Forms 8609. (§2306.6706) Tax-Exempt Bond Applications only need to submit the information in subparagraphs (A) and (B) of this paragraph.
(A) An IRS determination letter which states that the nonprofit organization is a §501(c)(3) or (4) entity;
(B) The "Nonprofit Participation Exhibit" as provided in the Application;
(C) A Third Party legal opinion stating:
(i) That the nonprofit organization is not affiliated with or Controlled by a for-profit organization and the basis for that opinion; and
(ii) That the nonprofit organization is eligible, as further described, for a Housing Credit Allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the non-profit organization Controlling the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, the Qualified Nonprofit Organization must be the controlling managing member; and otherwise meet the requirements of §42(h)(5) of the Code; and
(iii) That one of the exempt purposes of the nonprofit organization is to provide low-income housing; and
(iv) That the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board; and
(v) That the Qualified Nonprofit Development will have the nonprofit entity or its nonprofit Affiliate or subsidiary be the Developer or co-Developer as evidenced in the development agreement; and
(D) A copy of the nonprofit organization's most recent audited financial statement; and
(E) Evidence in the form of a certification that a majority of the members of the nonprofit organization's board of directors principally reside:
(i) In this state, if the Development is located in a Rural Area; or
(ii) Not more than ninety (90) miles from the Development, if the Development is not located in a Rural Area.

(13) **Authorization to Release Credit Information.** The authorization to release credit information must be unbound and clearly labeled. An Authorization to Release Credit Information" must be

completed and signed for any General Partner, Developer or Guarantor and any Person that has an ownership interest of 10% or more in the Development Owner, General Partner, Developer, or Guarantor. Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit.

(14) **Supplemental Threshold Reports.** The Third Party reports as required in this section must meet the requirements stated in subparagraphs (A) - (F) of this paragraph. The Environmental Site Assessment, Property Condition Assessment and Appraisal (if applicable) ~~entire report~~ must be submitted on or before the Third Party Report Delivery Date as identified in §49.3 of this chapter. The Market Analysis Report must be submitted on or before the market Analysis Delivery Date as identified in §49.3 of this chapter. If the entire report is not received by that time, the Application will be terminated and will be removed from consideration. A searchable electronic copy of the report in the format of a single file containing all information and exhibits clearly labeled with the report type, Development name, and Development location are required.

(A) **A Phase I Environmental Site Assessment (ESA) report (required for all Developments)**:

(i) Prepared by a qualified Third Party;

(ii) Dated not more than twelve (12) months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is more than twelve (12) months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated letter or updated report dated not more than three (3) months prior to the first day of the Application Acceptance Period from the Person or organization which prepared the initial assessment confirming that the site has been re-inspected and reaffirming the conclusions of the initial report or identifying the changes since the initial report;

(iii) Prepared in accordance with §1.35 of this title (relating to Environmental Site Assessment Rules and Guidelines);

(iv) Developments whose funds have been obligated by TRDO-USDA will not be required to supply this information; however, the Applicants of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements; and

(v) If the report includes a recommendation that an additional assessment be performed then a statement from the Applicant must be submitted with the Application indicating those additional assessments and recommendations will be performed prior to closing. If the assessments require further mitigating recommendations then evidence indicating the mitigating recommendations have been carried out must be submitted at cost certification.

(B) **A comprehensive Market Analysis report (required for all Developments)**:

(i) Prepared by a Third Party Qualified Market Analyst approved by the Department in accordance with the approval process outlined in §1.33 of this title (relating to Market Analysis Rules and Guidelines);

(ii) Dated not more than six (6) months prior to the first day of the Application Acceptance Period. In the event that a Market Analysis is more than six (6) months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated Market Analysis from the Person or organization which prepared the initial report; however the Department will not accept any Market Analysis which is more than twelve (12) months old as of the first day of the Application Acceptance Period;

(iii) Prepared in accordance with the methodology prescribed in §1.33 of this title; and

(iv) For Applications in the TRDO-USDA Set-Aside proposing acquisition and Rehabilitation with residential structures at or above 80% occupancy at the time of Application Submission, the appraisal, required for Rehabilitation Developments and Identity of Interest transactions prepared in accordance with §1.34 of this title (relating to Appraisal

Rules and Guidelines), will satisfy the requirement for a Market Analysis; however the Department may request additional information as needed. (§2306.67055, §42(m)(1)(A)(iii))

(C) **A Property Condition Assessment (PCA) report (required for Rehabilitation, Reconstruction and Adaptive Reuse Developments)**:
(i) Prepared by a qualified Third Party;
(ii) Dated not more than six (6) months prior to the first day of the Application Acceptance Period;
(iii) Prepared in accordance with §1.36 of this title (relating to Property Condition Assessment Guidelines); and
(iv) For Developments which require a capital needs assessment from TRDO-USDA, the capital needs assessment may be substituted and may be more than six (6) months old, as long as TRDO-USDA has confirmed in writing that the existing capital needs assessment is still acceptable and it meets the requirements of §1.36 of this title.

(D) **An appraisal report (required for Rehabilitation Developments and Identity of Interest transactions pursuant to §1.34 of this title)**:
(i) Prepared by a qualified Third Party;
(ii) Dated not more than six (6) months prior to the first day of the Application Acceptance Period. In the event that an appraisal is more than six (6) months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated appraisal from the Person or organization which prepared the initial report; however the Department will not accept any appraisal which is more than twelve (12) months old as of the first day of the Application Acceptance Period;
(iii) Prepared in accordance with the §1.34 of this title; and
(iv) For Developments that require an appraisal from TRDO-USDA, the appraisal may be more than six (6) months old, as long as TRDO-USDA has confirmed in writing that the existing appraisal is still acceptable.

(E) Inserted at the front of each of these reports must be a transmittal letter from the individual preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report. The transmittal letter must also state the report preparer has read and understood the Department rules specific to the report found at §§1.33 - 1.36 of this title.

(F) All Applicants acknowledge by virtue of filing an Application that the Department is not bound by any opinion expressed in the report. The Department may determine from time to time that information not required in the Department's Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the report provider or revisions to the report to meet this need. In instances of non-response by the report provider, the Department may substitute in-house analysis.

**§49.9.Selection Criteria.**

(a) All Applications will be scored and ranked using the point system identified in this subsection. Unless otherwise stated, do not round calculations. Points other than those provided in paragraphs (2) and (6) of this subsection will not be awarded unless requested in the Self Scoring Form. All Applications, with the exception of TRDO-USDA Applications, must receive a final score totaling a minimum of 130~~118~~, not including any points awarded or deducted pursuant to paragraphs (2) and (6) of this subsection to be eligible for an allocation of Housing Tax Credits. Maximum Total Points: 225.

(1) **Financial Feasibility.** (§2306.6710(b)(1)(A)) Applications may qualify to receive a maximum of 28 points for this item. Receipt of feasibility points under this paragraph does not ensure that an Application will be considered feasible during the feasibility evaluation by the Real Estate Analysis Division, and, conversely, a Development may be found feasible during the feasibility evaluation by the Real Estate Analysis Division even if it did not receive all possible points under this paragraph. Evidence will include the following in addition to the commitment letter required under subsection §49.8(8)(C) of this chapter (relating to Threshold Criteria). To qualify for 20 points the supporting financial data shall include:

(A) A fifteen (15) year pro forma prepared by the permanent or construction lender:

(i) Specifically identifying each of the first five (5) years and every fifth year thereafter;

(ii) Specifically identifying underlying assumptions including, but not limited to general growth factor applied to income and expense; and

(iii) Indicating that the Development maintains a minimum 1.15 debt coverage ratio throughout the initial fifteen (15) years proposed for all third party lenders that require scheduled repayment; and

(B) A statement in the commitment letter, or other form deemed acceptable by the Department, indicating that the lender's assessment finds that the Development will be feasible for fifteen (15) years.

(C) For Developments maintaining existing financing from TRDO-USDA, a current note balance must be provided or other form of documentation of the existing loan deemed acceptable by the Department to meet the requirements of this section.

(D) To qualify for an additional 8 points, the commitment letter from the permanent or construction lender must indicate that they have reviewed the Applicant's financial position and credit worthiness and have determined that the Applicant meets the financial liquidity or net worth standards that such lender would require in connection with the proposed Development. Furthermore, the letter must describe those standards that such lender would require in connection with the proposed Development. If at any time the Application is under consideration by the Department and the lender changes, the Applicant must provide a subsequent letter from the new lender addressing net worth and liquidity under the new lender's standards in order to remain eligible for the additional 8 points.

(2) **Quantifiable Community Participation.** (§2306.6710(b)(1)(B); §2306.6725(a)(2)) Points will be awarded based on written statements of support or opposition from Neighborhood Organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development Site. It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the process utilized for notification purposes under §49.8(9) of this chapter if the organization provides the information and documentation required in subparagraphs (A) and (B) of this paragraph. It is also possible that Neighborhood Organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring. If an organization is determined not to be qualified under this paragraph, the organization may qualify under paragraph (11)(B) of this subsection.

(A) Submission Requirements. Each Neighborhood Organization may submit the form as included in the QCP Neighborhood Information Packet that represents the organization's input. In order to receive a point score, the form must be received, by the Department, or postmarked, if mailed by the U.S. Postal Service, no later than the Quantifiable Community Participation Delivery Date as identified in §49.3 of this chapter (relating to Program Calendar). Forms received after the deadline will be summarized for the Board's information and consideration, but will not affect the score for the Application. The form must:

(i) State the name and location of the proposed single Development;

(ii) Certify that the letter is signed by two officials or board members of the Neighborhood Organization with the authority to sign on behalf of the Neighborhood Organization, and include:
(I) the street and/or mailing addresses for the signers of the letter;
(II) day and evening phone numbers for the signers of the letter;
(III) email addresses and/or facsimile numbers for the signers of the letter and one additional contact for the organization; and
(IV) a written description and map of the organization's geographical boundaries;
(iii) Certify that the organization has boundaries, and that the boundaries in effect on or before the Full Application Delivery Date identified in §49.3 of this chapter contain the proposed Development Site;
(iv) Certify that the organization meets the definition of "Neighborhood Organization"; defined as an organization of persons living near one another within the organization's defined boundaries that contain the proposed Development Site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood (§2306.004(23-a)). For purposes of this section, "persons living near one another" means two (2) or more separate residential households. "Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or Reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations;
(v) Include documentation showing that the organization is on record as of the Full Application Delivery Date with the state or county in which the Development is proposed to be located. The receipt of the QCP form that meets the requirements of this subsection and further outlined in the QCP Neighborhood Information Packet will constitute being on record with the State. The Department is permitted to issue an Administrative Deficiency notice for this registration process and if satisfied, the organization will still be deemed to be timely placed on record with the state;
(vi) A Neighborhood Organization must take reasonable measures to provide notice to persons eligible to join or participate in the affairs of the organization of that right. Examples of reasonable measure would be giving notice in a newsletter distributed where residents will likely see them; posting notice (in compliance with local signage requirements); or distribution flyers. The Department may exclude from consideration Neighborhood Organizations that do not comply with their own bylaws or other constitutive or governing documents;
(vii) While not required, the organization is encouraged to hold a meeting to which all the members of the organization are invited to consider whether the organization should support, oppose, or be neutral on the proposed Development, and to have the membership vote on whether the organization should support, oppose, or be neutral on the proposed Development. The organization is also encouraged to invite the Developer or Applicant to this meeting; and
(viii) The form from the Neighborhood Organization for the purposes of this subsection must be submitted to the Department by the Neighborhood Organization and not the Applicant. This documentation must be submitted independent of the Application. Furthermore, while the Applicant may assist the Neighborhood Organization in the Administrative Deficiency process or any other request from the Department as it relates to this item, the Administrative Deficiency Notice from the Department will be issued to the Neighborhood Organization with a copy to the Applicant; however, the Deficiency response must be submitted to the Department directly by the Neighborhood Organization.

(B) Scoring. The input must clearly and concisely state each reason for the Neighborhood Organization's support for or opposition to the proposed Development.
(i) The score awarded for each letter for this exhibit will be based on the following:

(I) Support letters (must establish at least one reason for support) will receive 24 points; or

(II) Letters that do not establish a reason for support or opposition or that are unclear will be considered ineligible and scored as neutral (+12 points);

(III) Applications for which no letters from Neighborhood Organizations are scored will receive a neutral score of +12 points;

(~~III~~IV) Opposition letters (must state at least one reason for opposition) will receive 0 points;

(~~I~~V) If an Application receives multiple eligible letters, the average score of all eligible letters will be applied to the Application.

(ii) The final score will be determined by the Executive Director. The Department may investigate a matter and contact the Applicant and Neighborhood Organizations for more information. The Department may consider any relevant information specified in letters from other Neighborhood Organizations regarding a Development in determining a score.

(iii) The Department highly values quality public input addressed to the merits of a Development. Input that identifies matters that are specific to the neighborhood, the proposed site, the proposed Development, or Developer are valued. If a proposed Development is permitted by the existing or pending zoning or absence of zoning, concerns addressed by the allowable land use that are related to any multifamily development may generally be considered to have been addressed at the local level through the land use planning process. Input concerning positive efforts or the lack of efforts by the Applicant to inform and communicate with the neighborhood about the proposed Development is highly valued. If the Neighborhood Organization refuses to communicate with the Applicant the efforts of the Applicant will not be considered negative. Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law or the scoring of which the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered.

(3) **The Income Levels of Tenants of the Development.** (§§2306.111(g)(3)(B); 2306.111(g)(3)(E); 2306.6710(b)(1)(C); 2306.6710(e); and §42(m)(1)(B)(ii)(I)) Applications may qualify to receive up to 22 points for qualifying under only one of subparagraphs (A) - (C) of this paragraph. To qualify for these points, the household incomes must not be higher than permitted by the AMGI level (must round to the next highest whole Unit, no less than one Unit). The Development Owner, upon making selections for this exhibit, will set aside Units at the levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. These income levels require corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code.

(A) 22 points if at least 40% of the Low-Income Units in the Development are set-aside with incomes at or below a combination of 50% and 30% of AMGI in which at least 5% of the Low-Income Units are at or below 30% of AMGI; or

(B) 20 points if at least 60% of the Low-Income Units in the Development are set-aside with incomes at or below 50% of AMGI.

(C) 18 points if at least 10% of the Low-Income Units in the Development are set-aside with incomes at or below 30% of AMGI; or

(4) **The Size and Quality of the Units** (§2306.6710(b)(1)(D); §42(m)(1)(C)(iii)). Applications may qualify to receive up to 20 points under both subparagraphs (A) and (B) of this paragraph.

(A) Size of the Units (6 points). The Development must meet the minimum requirements identified in this subparagraph to qualify for points. Six points for this item will be automatically granted for Applications involving Rehabilitation (excluding Reconstruction), Developments receiving funding from TRDO-USDA, or Developments proposing Single Room Occupancy without meeting these square footage minimums if requested in the Self Scoring Form. The square feet of all of the Units in the Development, for each type of Unit, must be at least the minimum noted in clauses (i) - (v) of this subparagraph. Changes to an Application during any phase of the review process that decreases the square footage below the minimums noted in clauses (i) - (v) of this subparagraph, will be re-evaluated and may result in a reduction of the Application score.

(i) 600 square feet for an Efficiency Unit;

(ii) 700 square feet for a one Bedroom Unit that is not in a Qualified Elderly Development; 600 square feet for a one Bedroom Unit in a Qualified Elderly Development;

(iii) 950 square feet for a two Bedroom Unit that is not in a Qualified Elderly Development; 750 square feet for a two Bedroom Unit in a Qualified Elderly Development;

(iv) 1,050 square feet for a three Bedroom Unit; and

(v) 1,250 square feet for a four Bedroom Unit.

(B) Quality of the Units (14 points). Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) - (xvi) of this subparagraph. Applications involving scattered site Developments must have all of the Units located with a specific amenity to count for points. Applications involving Rehabilitation (excluding Reconstruction) or Single Room Occupancy may receive 1.5 points for each point item (do not round).

(i) Covered entries (1 point);

(ii) Nine foot ceilings in living room and all bedrooms (at minimum) (1 point);

(iii) Microwave ovens (1 point);

(iv) Self-cleaning or continuous cleaning ovens (1 point);

(v) Refrigerator with icemaker (1 point);

(vi) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets - does not need to be in the Unit but must be on the property site (1 point);

(vii) Laundry equipment (washers and dryers) for each individual Unit including a front loading washer and dryer in required UFAS compliant Units (3 points);

(viii) Thirty (30) year architectural shingle roofing (1 point);

(ix) Covered patios or covered balconies (1 point);

(x) Covered parking (including garages) of at least one covered space per Unit (2 points);

(xi) 100% masonry on exterior (3 points) (Applicants may not select this item if clause (xii) of this subparagraph is selected);

(xii) Greater than 75% masonry on exterior (1 point) (Applicants may not select this item if clause (xi) of this subparagraph is selected);

(xiii) Structural Insulated Panel construction with wall insulation at a minimum of R-20 and roof at a minimum R-30 (3 points);

(xiv) R-15 Walls / R-30 Ceilings (rating of wall/ceiling system) (3 points);

(xv) 14 SEER HVAC (or greater) or evaporative coolers in dry climates for New Construction, Adaptive Reuse, and Reconstruction or radiant barrier in the attic for Rehabilitation (excluding Reconstruction) (3 points); or

(xvi) High Speed Internet service to all Units (2 points).

(5) **The Commitment of Development Funding by Governmental Instrumentality~~Units of General Local Government~~.** (§2306.6710(b)(1)(E)) Applications may qualify to receive up to 18 points under this paragraph.

(A) Submission Requirements. Evidence of the following must be submitted in accordance with the application checklist in the Tax Credit (Procedures) Manual.

(i) The loans, grant(s) or in-kind contribution(s) must be attributed to the total number of Units in the Development.

(ii) An Applicant may submit enough sources to substantiate the point request, and all sources must be included in the Sources and Uses form.

(iii) An Applicant may substitute any source in response to an Administrative Deficiency Notice or after the Application has been submitted to the Department.

(iv) A loan does not qualify as an eligible source unless it has a minimum term of the later of 1-year or the Placed in Service date, and the interest rate must be at the Applicable Federal Rate (AFR) or below (at the time of loan closing).

(v) In-kind contributions such as donation of land, tax exemptions, or waivers of fees such as building permits, water and sewer tap fees, or similar contributions are only eligible for points if the in-kind contribution provides a tangible economic benefit that results in a quantifiable Total Housing Development Cost reduction to benefit the Development. The quantified value of the Total Housing Development Cost reduction may only include the value during the period the contribution or waiver is received and/or assessed. Donations of land must be under the control of the Applicant, pursuant to §49.8(8)(A) of this chapter to qualify. The value of in-kind contributions may only include the time period between award or August 2, 2011 and the Development's Placed in Service date, with the exception of contributions of land. The full value of land contributions, as established by the appraisal required pursuant to clause (viii) of this subparagraph will be counted. Contributions in the form of tax exemptions or abatements may only count for points if the contribution is in addition to any tax exemption or abatement required under statute.

(vi) To the extent that a Notice of Funding Availability (NOFA) is released and funds are available, funds from TDHCA's HOME Investment Partnerships (HOME) Program will qualify if a resolution, dated on or before the date the Application Acceptance Period ends, is submitted with the Application from the Governing Body of the Unit of General Local Government authorizing the Applicant to act on behalf of the Governing Body of the Unit of General Local Government in applying for HOME Funds from TDHCA for the particular Application. TDHCA's HOME funds may be substituted for a source originally submitted with the Application, provided the HOME funds substituted are from a NOFA released after the Application Acceptance Period ends and a resolution is submitted with the substitution documentation from the Governing Body of the Unit of General Local Government authorizing the Applicant to act on behalf of the Unit of General Local Government in applying for HOME Funds from TDHCA for the particular Application.

(vii) Development based rental subsidies may qualify under this section if evidence of the remaining value of the contract remaining as of December 31st of the application year is submitted from the Governmental Instrumentality ~~Unit of General Local Government~~. The value of the contract does not include past subsidies.

(viii) Evidence to be submitted with the Application must include a copy of the commitment of funds; a copy of the application to the funding entity; or a letter from the funding entity indicating that the award of funds with respect to the funding cycle for which the Applicant intends to apply for will be made by August 1, 2011. This letter does not have to confirm that the funds will be awarded to the subject Application, but that awards with respect to the Applications under consideration for the funding cycle will be announced by the previously stated deadline. A statement from the Applicant with respect to the loan amount to be applied for and the specific terms requested or to be requested must be submitted. For in-kind contributions, evidence must be submitted in the Application from the Unit of General Local Government substantiating the value of the in-kind contributions. For in-kind contributions of land, evidence of the value of the contribution must be in the form of an appraisal.

(ix) If not already provided, at the time the executed Commitment is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the Governing Body of the Unit of General Local Government, or its designee or agent, for the Development Funding to the

Department. If the funding commitment from the Governmental Instrumentality ~~Unit of General Local Government~~ has not been received by the date the Department's Commitment is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the Governmental Instrumentalities ~~Unit of General Local Government's~~ Development Funding, the Commitment will be rescinded and the credits reallocated.

(x) Funding commitments from a Governmental Instrumentality ~~Unit of General Local Government~~ will not be considered final unless the Governmental Instrumentality ~~Unit of General Local Government~~ attests to the fact that any funds committed were not first provided to the Governmental Instrumentality ~~Unit of General Local Government~~ by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Governmental Instrumentality ~~Unit of General Local Government~~ or subsidiary.

(B) Scoring. Points will be determined on a sliding scale based on the amount of funds to be made available to the Development on a per unit basis, based on the total number of Units in the Development. Do not round for the following calculations. The "total contribution" is the total combined value of qualifying loan(s), grants or in-kind contributions from a Governmental Instrumentality ~~Unit of General Local Government~~ pursuant to subparagraph (A) of this paragraph.

(i) A total contribution of at least $900 (or $450 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 6 points; or

(ii) A total contribution of at least $2,250 (or $1,125 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 12 points;

(iii) A total contribution equal to or greater than $4,500 (or $2,250 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 18 points.

(6) **Community Support from State Representative or State Senator.** (§2306.6710(b)(1)(F) and §2306.6725(a)(2)) Applications may qualify to receive 14 points for this item. Letters must identify the specific Development, must clearly state support for or opposition to the specific Development and must be from the State Representative or State Senator that represents the district containing the proposed Development Site. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or the State Representative or Senator on or before the Input from State Senator or Representative Delivery Date as identified in §49.3 of this chapter. A State Representative or State Senator may withdraw (in writing), but may not change or replace a letter that is submitted by the April 1st deadline on or before the Withdraw Deadline for State Senator or Representative Letters as identified in §49.3 of this chapter but may not submit a new letter. After the Withdraw Deadline such letters may not be withdrawn. The previous position of support or opposition that is withdrawn will be scored as neutral (0 points). State Representatives or Senators to be considered are those State Representatives or Senators in office at the time the Application is submitted. Letters of support from State Representatives or Senators that do not represent the district containing the proposed Development Site will not qualify for points under this exhibit. Support letters are +14 points; neutral letters, or letters that do not specifically refer to the Development, will receive 0 points; Opposition letters (must state reason for opposition) will receive -14 points. If one letter is received in support and one letter is received in opposition the score would be 0 points. A letter that does not directly express support but expresses it indirectly by inference, (i.e. "the local jurisdiction

supports the Development and I support the local jurisdiction") will be treated as a neutral letter.

(7) **The Rent Levels of the Units.** (§2306.6710(b)(1)(G)) Applications may qualify to receive up to 12 points for this item provided the Application has qualified for points under paragraph (3) of this subsection, relating to Income Levels of Tenants of the Development. An Application may qualify for points under this subsection by providing additional Low-Income Units at 30% and 50% of AMGI (must round up to the next whole Unit, not less than one Unit), as follows:

(A) An Application may receive 2 points for every 5% of Low-Income Units at rents and incomes at 50% of AMGI; or

(B) An Application may receive 6 points for every 2.5% of Low-Income Units at rents and incomes at 30% of AMGI.

(8) **The Cost of the Development by Square Foot.** (§2306.6710(b)(1)(H); §42(m)(1)(C)(iii)) Applications may qualify to receive 10 points for this item. For this exhibit, costs shall be defined as construction costs, including site work, direct hard costs, contingency, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of Net Rentable Area (NRA). For the purposes of this paragraph only, if a building is in a Qualified Elderly Development with an elevator or a high rise building with four or more stories serving any population, the NRA may include elevator served interior corridors. If the proposed Development is a Single Room Occupancy Development, the NRA may include elevator served interior corridors and may include up to 50 square feet of common area per Unit. As it relates to this paragraph, an interior corridor is a corridor that is enclosed, heated and/or cooled and otherwise finished space. The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments qualify for 10 points if their costs do not exceed $95 per square foot for Qualified Elderly, single family design, transitional, and Single Room Occupancy Developments (transitional housing for the homeless and Single Room Occupancy units as provided in §42(i)(3)(B)(iii) and (iv) of the Code), unless located in a "First Tier County" in which case their costs do not exceed $97 per square foot; and $85 for all other Developments, unless designated as "First Tier" by the Texas Department of Insurance, in which case their costs do not exceed $87 per square foot. The First Tier counties are identified in the Tax Credit (Procedures) Manual. There are also specifically designated First Tier communities in Harris County that are east of State Highway 146, and evidence in the Application must include a map with the Development Site designated clearly within the community. These communities are Pasadena, Morgan's Point, Shoreacres, Seabrook and La Porte.

(9) **Tenant Services.** (§2306.6710(b)(1)(I) and §2306.6725(a)(1)) Applications may qualify to receive up to 8 points for this item. The Applicant must certify that the Development will provide a combination of supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this paragraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided. The same service may not be used for more than one scoring item. Applications will be awarded points for selecting services listed in subparagraphs (A) - (U) of this paragraph:

(A) Joint use library center, as evidenced by a written agreement with the local school district (2 points);

(B) Weekday afterschool program (shall include at least on a monthly basis a curriculum based character building presentation on relevant topics (i.e. teen dating violence, drug prevention, teambuilding, internet dangers, stranger danger, etc.)) (3 points);

(C) Daily transportation (2 point);

(D) Counseling services (only Supportive Housing Developments eligible) (1 point);

(E) Food pantry/common household items (only Supportive Housing Developments eligible) (1 point);
(F) GED preparation classes (shall include a certified instructor providing on-site coursework and exam) (2 points);
(G) English as a second language classes (shall include a certified instructor providing on-site coursework and exam) (2 points);
(H) Quarterly financial planning courses (i.e. homebuyer education, credit counseling, investing advice, retirement plans, etc.). Courses must be offered through an on-site instructor; a CD-Rom course is not acceptable (1 point);
(I) Annual health fair (1 point);
(J) Quarterly health and nutritional courses (1 point);
(K) Organized team sports programs or youth programs (1 point);
(L) Scholastic tutoring (1 point);
(M) Notary Public Services during regular business hours (§2306.6710(b)(3)) (1 point);
(N) Weekly exercise classes (2 points);
(O) Monthly arts and crafts (1 point);
(P) Annual income tax preparation services (1 point);
(Q) Monthly transportation to community/social events (i.e. lawful gaming sites, mall trips, community theatre, bowling, organized tours, etc.) (1 point); and
(R) Monthly on-site social events (i.e. potluck dinners, game night, etc.) (1 point);
(S) Specific and pre-approved caseworker services for seniors and Persons with Disabilities (1 point);
(T) Home chore services (such as trash removal and quarterly preventative maintenance including light bulb replacement and hot water heater and other appliance check) for seniors and Persons with Disabilities (1 point);
(U) 1 point for any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

(10) **Declared Disaster Areas.** (§2306.6710(b)(1)) Applications may receive 7 points, if by the Full Application Delivery Date as identified in §49.3 of this chapter or at any time within the two-year period preceding the date of submission, the proposed Development Site is located in an area declared a disaster under Texas Government Code §418.014.

(11) **Community Input other than Quantifiable Community Participation.** If an Application was awarded 18 or 12 points under paragraph (2) of this subsection, then that Application may receive up to 6 points for letters that qualify for points under subparagraph (A), (B) or (C) of this paragraph. An Application may not receive points under more than one of the subparagraphs (A) - (C) of this paragraph. All letters must be submitted within the Application. At no time will the Application receive a score lower than zero for this item.

(A) An Application may receive two points (maximum of 6 points) for each letter of support submitted from a community or civic organization that serves the community in which the Development Site is located. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. The community or civic organization must provide some documentation of its existence in the community in which the Development is located including, but not limited to, listing of services and/or members, brochures, annual reports, etc. Letters of support from organizations that cannot provide reasonable evidence that they are active in the area that includes the location of the Development will not be counted. For purposes of this subparagraph, community and civic organizations do not include neighborhood organizations, governmental entities (excluding Special Management Districts), taxing entities or educational activities. Organizations that were created by a governmental entity or derive their source of creation from a governmental entity do not qualify under this item. For purposes of this item, educational activities include school districts, trade and vocational schools, charter schools and depending on how characterized could include day care centers; a PTA or PTO would qualify. Should an Applicant elect this option and the Application receives letters in opposition, then 2 points will be subtracted from the score for each letter in opposition, provided that the letter is from an organization serving the community.

(B) An Application may receive 6 points for a letter of support, from a property owners association created for a master planned community whose boundaries include the development site that does not meet the requirements of a Neighborhood Organization for points under paragraph (2) of this subsection.

(C) An Application may receive 6 points for a letter of support from a Special Management District, whose boundaries, as of the Full Application Delivery Date as identified in §49.3 of this chapter, include the Development Site and for which there is not a Neighborhood Organization on record with the county or state.

(12) **Housing Needs Characteristics.** (§42(m)(1)(C)(ii)) Applications may qualify to receive up to 6 points (if the Development Site is located in a Place with a certain Affordable Housing Need Score). Each Application may receive a score if correctly requested in the Self Score form based on objective measures of housing need in the Place where the Development is located. This Affordable Housing Need Score for each Place will be published in the 2011 Site Demographic Characteristics Report. For purposes of this item a Place is defined as the geographic area contained within the boundaries of:

(A) An incorporated place; or

(B) Census Designated Place (CDP) as established by the U.S. Census Bureau for the most recent Decennial Census. For Developments located outside the boundaries of an incorporated place or CDP, the Development shall take up the Place characteristics of the incorporated place or CDP whose boundary is nearest to the Development Site.

(13) **Community Revitalization, (§42(m)(1)(C)(iii)) Historic Preservation or Rehabilitation.** Applications may qualify to receive 6 points under subparagraphs (A) - (C) of this paragraph or 3 points under subparagraph (D) of this paragraph.

(A) The Development includes the use of an Existing Residential Development and proposes any Rehabilitation or any Reconstruction that is part of a Community Revitalization Plan. Evidence of the Community Revitalization Plan must be in the form of a letter from the Appropriate Local Official stating there is a Community Revitalization Plan in effect and the Development is within the area covered by the plan or only if the Community Revitalization Plan has specific boundaries, a copy of the plan, adopted by the jurisdiction or its designee and a map showing that the Development is within the area covered by the Community Revitalization Plan; or

(B) The Development includes the use of an existing building that is designated as historic by a federal or state Entity and proposes Rehabilitation (including Reconstruction) or Adaptive Reuse. The Development itself must have the designation; points in this subparagraph are not available for Developments simply located within historic districts or areas that do not have a designation on the building. The Development must include the historic building. Evidence will include proof of the historic designation from the appropriate Governmental Entity.

(C) Rehabilitation (includes Reconstruction). Applications proposing to build solely Rehabilitation (excluding New Construction of non-residential buildings), solely Reconstruction (excluding New Construction of non-residential buildings), or solely Adaptive Reuse;

(D) The Development is New Construction and is proposed to be located in an area that is part of a Community Revitalization Plan (3 points).

(14) **Pre-application Participation Incentive Points.** (§2306.6704) Applicants that submitted a pre-application during the Pre-Application Acceptance Period and meet the requirements of this paragraph will qualify to receive 6 points for this item. To be eligible for these points, the Application must:

(A) Be for the identical Development Site, or reduced portion of the Development Site as the proposed Development Site under control in the pre-application;

(B) Have met the Pre-application Threshold Criteria;

(C) Include, as part of this exhibit, a certification signed by the ~~p~~Principal(s) that signed the site control at pre-application confirming they are the same ~~p~~Principal(s) at Application.

(D) Be serving the same target population (general or elderly) as in the pre-application;

(E) Be applying for the same Set-Asides as indicated in the pre-application (Set-Asides can be dropped between pre-application and Application, but no Set-Asides can be added); and

(F) Be awarded by the Department an Application score that is not more than 5% greater or less than the number of points awarded by the Department at pre-application, with the exclusion of points for support and opposition under paragraphs (2), (6), and (11) of this subsection. The Application score used to determine whether the Application score is 5% greater or less than the number of points awarded at pre-application will also include all point losses under §49.7(a)(2)(A) of this chapter (relating to Administrative Deficiencies). An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

(i) To request the pre-application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for increasing the point structure outside the 5% range from pre-application to Application; or

(ii) To request that the pre-application points be forfeited and that the Department evaluate the Application as requested in the Self-Score Form.

(15) **Green Building Amenities~~Initiatives~~.** Application may qualify to receive up to 6 points for this item provided that points under this paragraph are not being requested for the same items utilized for points under §49.8(5)(A) of this chapter. Rehabilitation Developments (excluding Reconstruction) and Single Room Occupancy Developments will receive 1.5 points for each point requested under this paragraph.

**(A) Development Energy Savings (1 point for each item):**

(i) at least 50% of the water needed annually for site irrigation is from a rain water harvesting/collection system and/or locally approved gray water collection system; or ~~Collected water (at least 50%) for irrigation purposes;~~

(ii) native trees and plants installed that are appropriate to the site's soils and microclimate and located to allow for shading in the summer and heat gain in the winter; or~~Selection of native trees and plants that are appropriate to the site's soils and microclimate; or~~

**(B) Tenant Energy Savings (2 points for each item):**

(i) If the glazing area on the north- and south-facing walls of the building is at least 50% greater than the sum of the glazing area on the east- and west-facing walls; and the east-west axis of the building is within 15 degrees of due east-west;

(ii) If the east-west axis of the building oriented within 15 degrees of due east-west utilizes a narrow floor plate (less than 40 feet), and single loaded corridors and open floor plan to optimize daylight penetration and passive ventilation;

(iii) Solar screens or solar film on all East, West, and South Windows with building oriented to east-west axis within 15 degrees of due east-west, (applies only to rehabilitation where windows are not replaced with Energy Star rated windows);

(iv) 100% of HVAC condenser units are located so they are fully shaded 75% of the time during summer months (May through August);

(v) Install low-flow~~floor~~ or high efficiency toilets that exceed State requirements;
(vi) Install bathroom lavatory faucets, showerheads and kitchen faucets that exceed the State standard at the time of Application. All fixtures throughout development must meet the standard. Rehabilitation Developments may install compliant faucet aerators instead of replacing entire faucets; or
(vii) Provide Solar water heaters designed to provide at least 25% of the average energy used to heat domestic water throughout the entire Development;
(viii) Sub-metered utility meters for any utility in a ~~on~~ Rehabilitation Development~~s~~ which was not already sub-metered at the time of Application~~without existing sub-meters~~;
(ix) If the Development includes Energy-Star qualified windows and glass doors exclusively; and insulation, and air barriers greater than or equal to Energy Star air barrier and insulation criteria; and Energy Star rated HVAC and domestic hot water heaters, and insulation that exceeds Energy Star standards;
(x) If the Development promotes energy efficiency by demonstrating a certified HERS score of 85 or lower;
(xi) Thermally and draft efficient doors (SHGC of 0.40 or lower (for doors with glass) and U-value specified by climate zone according to the 2006 IECC) are used;
(xii) On-site photovoltaic panels or wind-driven turbines for generating at least 5kW of electricity that are incorporated into the engineered structural design of the roof(s) and neither of which protrude from any roof structure by more than 8 feet and are designed and wired to supplement the Development's electric power. Photographs and data sheets of the proposed equipment must be submitted with the Application; or
(xiii) Recycling service provided throughout the compliance period.

(C) **Other Green Features/Indoor Health (1 point for each item):**
(i) Renewable materials, provide at least one of the following: bamboo flooring, wool carpet, linoleum flooring, straw board cabinetry, poplar OSB, or cotton batt insulation;
(ii) Healthy flooring, provide at least one of the following for 50% of flooring. Finished concrete or ceramic tile resilient flooring material that is Floor Score Certified, applied with a Floor Score Certified adhesive and comes with a minimum 7-year wear through warranty; or
(iii) Healthy finish materials, use paints, stains, adhesives and sealants consistent with the Green Seal 11 standard or other applicable Green Seal standards.

(D) **LEED (Leadership in Energy and Environmental Design) Certification. (6 points)** If at the time of Cost Certification a LEED Certification (Certified, Silver, Gold or Platinum levels) for the Development is obtained then the maximum points allowed under this paragraph will be awarded and none of the green building amenities selected under this paragraph will need to be substantiated. Conversely, if at the time of Cost Certification a LEED Certification has not been obtained then the Applicant will be required to prove up 6 points under this subparagraph.

(16) **Development Location.** (§2306.6725(a)(4); §42(m)(1)(C)(i)) Applications may qualify to receive 4 points under this item. Evidence must not be more than six (6) months old from the first day of the Application Acceptance Period. An Application may only receive points under one of the subparagraphs (A) - (E~~F~~) of this paragraph.
(A) The Development is located in a census tract which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census) that is higher than the median family income for the county in which the census tract is located. This comparison shall be made using the most recent data available to the Department as of the date the Application Round opens the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median

income for both the census tract and the county. These Census Tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report.

(B) The proposed Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and is proposed to be located in an elementary school attendance zone that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. An elementary attendance zone does not include magnet school or elementary schools with district-wide possibility of enrollment or no defined attendance zones. The date for consideration of the attendance zone is that in existence as of the opening date of the Application Round and the academic rating is the most current rating determined by the Texas Education Agency as of that same date. (§42(m)(1)(C)(vii))

(C) The proposed Development will expand affordable housing opportunities for low-income families with children outside of poverty areas. This must be demonstrated by showing that the Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and that the census tract in which the Development is proposed to be located has no greater than 10% poverty population according to the most recent census data. (§42(m)(1)(C)(vii)) These Census Tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report.

~~(D) Evidence that the proposed Development has documented and committed Third-Party funding sources and the Development is located outside of a Qualified Census Tract serving 10% of households at 30% AMGI or less. (§2306.6710(e)(1)) The provider of the funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application. The commitment of funds (an application alone will not suffice) must already have been received from the Third-Party funding source and must be equal to or greater than 2% (do not round) of the Total Development Costs reflected in the Application. Funds from the Department's HOME and Housing Trust Fund sources will not qualify under this category. Funding sources and amounts used for points under paragraph (5) of this subsection may not be used for this point item.~~

(D~~E~~) The proposed Development is located in an urban core, on a site where the proposed use is not prohibited by the Unit of General Local Government via ordinance or regulation. For purposes of this item, an urban core is defined as a compact and contiguous geographical area that is located in a Metropolitan Statistical Area within the city limits with a population of no less than 150,000 composed of adjacent block groups of which is zoned to accommodate a mix of medium or high density residential and commercial uses and at least 50% of such land is actually being used for such purposes based on high density residential structures and/or commercial structures already constructed. Evidence must be submitted in the form of zoning maps and a certification provided in the Application.

(E~~F~~) The proposed Development is located in a high opportunity area as identified in §49.5(d)(2)(D)(i) - (iii) of this chapter (relating to Site and Development Restrictions).

(17) **Economic Development Initiatives.** An Application may qualify to receive 4 points under subparagraphs (A) - (D) of this paragraph. For the purpose of this paragraph, "area" shall mean the boundaries of any zone or community in subparagraph (A) of this paragraph or the area in which funds in subparagraph (B) of this paragraph must be used:

(A) A Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community. To be eligible for these points, Applicants must submit a letter and a map of the zoned area from a city/county official stating that the proposed Development is located within such a designated zone or area.

The letter should be no older than six (6) months from the first day of the Application Acceptance Period (§2306.127); or

(B) An area that has received an award within the three year period prior to the beginning of the Application Acceptance Period, from the Texas Capital Fund, Texas or Federal Enterprise Zone Fund, Texas Leverage Fund, Industrial Revenue Bond Program, Emerging Technologies, Skills Development, Rural Business Enterprise Grants, Certified Development Company Loans, or Micro Loan Program or other state or federally funded economic development initiatives approved by the Department (This excludes limited highway improvement and roadwork projects, but does include broader regional transportation initiatives targeted to expanding economic development); or

(C) A geographical area which is an Economically Distressed Area; a Colonia; or a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD at the time of Application submission (these census tracts are designated in the 2011 Housing Tax Credits Site Demographics Characteristics Report (§2306.127); or

~~(D) The Development is located in a county that has received an award within the three (3) years prior to the beginning of the Application Acceptance Period, from the Texas Department of Agriculture's Rural Municipal Finance Program or Real Estate Development and Infrastructure Program. Cities which have received one of these awards are categorized as awards to the county as a whole so Developments located in a different city than the city awarded, but in the same county, will still be eligible for these points.~~

(~~E~~D) Points under subparagraphs (A), (B) and (C) of this paragraph will not be granted if more than 3 Developments received an award of Housing Tax Credits in the applicable area in the seven (7) years prior to the beginning of the Application Acceptance Period. The Applicant must provide receipt of funds to the area by evidence of a map of the designated area for such funding and documentation of the recipient of the award of funds or a letter from the entity granting such funds stating that funds were awarded in the designated area.

(18) **Developments in Census Tracts with No Other Existing Same Type Developments Supported by Tax Credits.** (§2306.6725(b)(2)) Applications may receive 4 points if the proposed Development is located in a census tract in which there are no other existing Developments supported by Housing Tax Credits that serve the same type of household, regardless of whether the Development serves the general or elderly populations. Evidence of the census tract in which the Development is located must be submitted. These census tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report.

(19) **Tenant Populations with Special Housing Needs.** (§42(m)(1)(C)(v)) Applications may qualify to receive 4 points for this item. The Department will award these points to Applications in which at least 5% of the Units are set aside for Persons with Special Needs. For purposes of this section, Persons with Special Needs is defined as persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations and migrant farm workers. Throughout the Compliance Period, unless otherwise permitted by the Department, the Development Owner agrees to affirmatively market Units to Persons with Special Needs. In addition, the Department will require a minimum twelve-month period during which Units must either be occupied by Persons with Special Needs or held vacant. The twelve-month period will begin on the date each building receives its Certificate of Occupancy. For buildings that do not receive a Certificate of Occupancy, the twelve-month period will begin on the placed in service date as provided in the Cost Certification manual. After the twelve-month period, the Development Owner will no longer be required to hold Units vacant for households with special needs, but will be required to continue to affirmatively market Units to household with special needs.

(20) **Length of Affordability Period.** (§§2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1) and (c); 2306.6710(e)(2); and 42(m)(1)(B)(ii)(II)) Applications may qualify to receive up to 4 points. In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Development Owners that are willing to extend the affordability period for a Development beyond the thirty (30) years required in the Code may receive points as follows:

(A) Add five (5) years of affordability after the extended use period for a total affordability period of thirty-five (35) years (2 points); or

(B) Add ten (10) years of affordability after the extended use period for a total affordability period of forty (40) years (4 points).

(21) **Site Characteristics.** Development Sites, including scattered sites, may qualify to receive up to 4 points for this item. Developments Sites must be located within a one mile radius (two-mile radius for Developments competing for a Rural Regional Allocation) of at least three (3) services appropriate to the target population. A site located within one-quarter mile of public transportation that is accessible to all residents including Persons With Disabilities and/or located within a community that has another form of transportation, including, but not limited to, special transit service or specialized elderly transportation for Qualified Elderly Developments, will receive full points regardless of the proximity to amenities, as long as the Applicant provides appropriate evidence of the transportation services used to satisfy this requirement. If a Development is providing its own specialized van or funding a comparable service, then this will be a requirement of the LURA. Only one service of each type listed in subparagraphs (A) - (L) of this paragraph will count towards the points. A map must be included identifying the Development Site and the location of the services by name. If the services are not identified by name, points will not be awarded. All services must exist or, if under construction, must be under active construction, post pad by the date the Application is submitted.

(A) Full service grocery store or supermarket.
(B) Pharmacy.
(C) Convenience Store/Mini-market.
(D) Department or Retail Merchandise Store.
(E) Bank/Credit Union.
(F) Restaurant (including fast food).
(G) Indoor public recreation facilities, such as civic centers, community centers, and libraries.
(H) Outdoor public recreation facilities such as parks, golf courses, and swimming pools.
(I) Hospital/medical clinic.
(J) Medical offices (physician, dentistry, optometry).
(K) Public Schools (only eligible for Developments that are not Qualified Elderly Developments).
(L) Senior Center.

(22) **Development Size.** The Development consists of not more than 36 Units (3 points).

(23) **Sponsor Characteristics.** Applications may qualify to receive a maximum of 2 points for this item. ~~for q~~Qualifying under ~~either~~ subparagraph (A) shall be worth 1 point and qualifying under subparagraph ~~or~~ (B) shall be worth 2 points. ~~of this paragraph.~~ (§42(m)(1)(C)(iv))

(A) The Applicant has submitted a plan to use Historically Underutilized Businesses (HUB) in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas. The Applicant will be required to submit a report of the success of the plan as part of the cost certification documentation, in order to receive IRS Forms 8609; or

(B) There is a HUB ~~that does not meet the experience requirements under §49.8(4) of this chapter,~~ as certified by the Texas Comptroller of Public Accounts, has at least 51%

ownership interest in the General Partner and materially participates in the Development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Comptroller of Public Accounts that the Person is a HUB at the close of the Application Acceptance Period. ~~The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609's for, more than two Developments involving tax credits.~~

(24) **Qualified Census Tracts with Revitalization.** (§42(m)(1)(B)(ii)(III)) Applications may qualify to receive 1 point for this item if the Development is located within a Qualified Census Tract and contributes to a concerted Community Revitalization Plan. Evidence of the Community Revitalization Plan must be in the form of a letter from the Appropriate Local Official stating there is a Community Revitalization Plan in effect and the Development is within the area covered by the plan or only if the Community Revitalization Plan has specific boundaries, a copy of the plan, adopted by the jurisdiction or its designee and a map showing that the Development is within the area covered by the Community Revitalization Plan.

(25) **Developments Intended for Eventual Tenant Ownership--Right of First Refusal.** Applications may qualify to receive 1 point for this item. (§2306.6725(b)(1); §42(m)(1)(C)(viii)) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms.

(A) Upon the earlier to **occur** of:

(i) The Development Owner's determination to sell the Development; or

(ii) The Development Owner's request to the Department, pursuant to §42(h)(6)(E)(II) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two (2) years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two (2) years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two (2) years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(i) During the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 CFR §92.1 (a "CHDO") and is approved by the Department;

(ii) During the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(iii) During the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department;

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i) - (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i) - (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After whichever occurs the later of:

(i) The end of the Compliance Period; or

(ii) Two (2) years from delivery of a Notice of Intent, the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of one hundred twenty (120) days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(26) **Leveraging of Private, State, and Federal Resources.** Applications may qualify to receive 1 point for this item. (§2306.6725(a)(3)) Funding sources used for points under paragraph (5) of this subsection may be used for this point item; however, funding amounts may not be duplicative.

(A) Evidence must be submitted in the Application that the proposed Development has received or will receive loan(s), grant(s) or in-kind contributions from a private, state or federal resource, which include Capital Grant Funds and HOPE VI funds, that is equal to or greater than 2% (do not round) of the Total Housing Development Costs reflected in the Application.

(B) For in-kind contributions, evidence must be submitted in the Application from a private, state or federal resource which substantiates the value of the in-kind contributions. Development based rental subsidies from private, state or federal resource may qualify under this section if evidence of the remaining value of the contract is submitted from the source. The value of the contract does not include past subsidies.

(C) Qualifying funds awarded through local entities may qualify for points if the original source of the funds is from a private, state or federal source. If qualifying funds awarded through local entities are used for this item, a statement from the local entity must be provided that identifies the original source of funds.

(D) Applicants may only submit enough sources to substantiate the point request, and all sources must be included in the Sources and Uses form. For example, two sources may be submitted if each is for an amount equal to 1% of the Total Housing Development Cost. However, two sources may not be submitted if each source is for an amount equal to 2% of the Total Housing Development Cost.

(E) The funding must be in addition to the primary funding (construction and permanent loans) that is proposed to be utilized and cannot be issued from the same primary funding source or an affiliated source. The provider of the funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application, unless the Applicant itself is a Unit of General Local Government.

(F) The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. At the time the executed Commitment is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of the entity for the sufficient financing to the Department. If the funding commitment from the private, state or federal source, identified in the Application, or qualifying substitute source, has not been received by the date the Department's Commitment is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the commitment from the private, state or federal source, the Commitment will be rescinded and the credits reallocated. Funds from the Department's HOME and Housing Trust Fund sources will only qualify under this category if there is a Notice of Funding Availability (NOFA) out for available funds and the Applicant is eligible under that NOFA.

(G) To qualify for this point, the Rent Schedule must show that at least 3% (not using normal rounding) of all Low-Income Units are designated to serve individuals or families with incomes at or below 30% of AMGI.

(27) **Third Party Funding Outside of Qualified Census Tracts.** Applications may qualify to receive 1 point for this item. (§2306.6710(e)(1)) Evidence that the proposed Development has documented and committed Third-Party funding sources and the Development is located outside of a Qualified Census Tract serving 10% of households at 30% AMGI or less. The provider of the funds must attest to the fact that they are not the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application and attest that none of the funds committed were first provided to the entity by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application. The commitment of funds (an application alone will not suffice) must already have been received from the Third-Party funding source and must be equal to or greater than 2% (do not round) of the Total Development Costs reflected in the Application. Funds from the Department's HOME and Housing Trust Fund sources will not qualify under this

category. Funding sources and amounts used for points under paragraph (5) of this subsection may not be used for this point item.

(28~~7~~) **Scoring Criteria Imposing Penalties.** (§2306.6710(b)(2))

(A) Penalties will be imposed on an Application if the Applicant has requested an extension of the Carryover or 10% Test deadline, and did not meet the original submission deadline, relating to Developments receiving a Housing Tax Credit Commitment made in the Application Round preceding the current round. For each extension request made, unless the person approving the extension (the Board or the Executive Director, as applicable) makes an affirmative finding setting forth that the facts which gave rise to the need for the extension were beyond the reasonable control of the Applicant and could not have been reasonably anticipated, the Applicant will receive a 5 point deduction. No penalty points or fees will be deducted for extensions that were requested on Developments that involved Rehabilitation when the Department is the primary lender, or for Developments that involve TRDO-USDA as a lender if TRDO-USDA or the Department is the cause for the Applicant not meeting the deadline.

(B) Penalties will be imposed on an Application if Developer or Principal of the Applicant violates the Adherence to Obligations pursuant to §49.12(a) of this chapter (relating to Post Award Activities).

(b) **Tie Breaker Factors.**

(1) In the event that two or more Applications receive the same number of points in any given Set-Aside category, Rural Regional Allocation or Urban Regional Allocation, or Uniform State Service Region, and are both practicable and economically feasible, the Department will utilize the factors in this paragraph, in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment.

(A) Applications involving any Rehabilitation or Reconstruction of existing Units will win this first tier tie breaker over Applications involving solely New Construction or Adaptive Reuse.

(B) The Application located in the municipality or, if located outside a municipality, the county that has the lowest state average of units per capita supported by Housing Tax Credits or private activity bonds at the time the Application Round begins as reflected in the Reference Manual will win this second tier tie breaker.

(C) The amount of requested tax credits per square foot of Net Rentable Area (the lower credits per square foot has preference).

(D) Developments that are intended for eventual tenant ownership. Such Developments must utilize a detached single family site plan and building design and have a business plan describing how the Development is intended to convert to tenant ownership at the end of the 15-year compliance period.

(2) This paragraph identifies how ties will be handled when dealing with the restrictions on location identified in §49.8(2)(B) of this chapter (relating to One Mile Three Year Rule), and in dealing with any issues relating to capture rate calculation. When two Tax-Exempt Bond Developments would violate one of these restrictions, and only one Development can be selected, the Department will utilize the Certificate of Reservation docket number issued by the Texas Bond Review Board (TBRB) in making its determination. When two Competitive Housing Tax Credits Applications in the Application Round would violate one of these restrictions, and only one Development can be selected, the Department will utilize the tie breakers identified in paragraph (1) of this subsection. When a Tax-Exempt Bond Development and a Competitive Housing Tax Credit Application in the Application Round would both violate a restriction, the following determination will be used:

(A) Tax-Exempt Bond Developments that receive their Certificate of Reservation from the TBRB on or before April 29, 2011 will take precedence over the Housing Tax Credit Applications in the 2011 Application Round;

(B) Housing Tax Credit Applications approved by the Board for tax credits in July 2011 will take precedence over the Tax-Exempt Bond Developments that received their Certificate of Reservation from the TBRB on or between May 2, 2011 and July 29, 2011; and

(C) After July 29, 2011, a Tax-Exempt Bond Development with a Certificate of Reservation from the TBRB will take precedence over any Housing Tax Credit Application from the 2011 Application Round on the waiting list. However, if no Certificate of Reservation has been issued by the date the Board approves an allocation to a Development from the waiting list of Applications in the 2011 Application Round or a forward commitment, then the waiting list Application or forward commitment will be eligible for its allocation.

(c) **Staff Recommendations.** (§2306.1112 and §2306.6731) In accordance with the QAP and other applicable Department rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. Recommendations of staff to the Board will be the recommendations of that Committee except as otherwise disclosed.

(d) **Tax Credits Financed Under American Recovery and Reinvestment Act of 2009.** (§2306.6736)

(1) To the extent the Department receives federal funds under the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) or any subsequent law (including any extension or renewal thereof) that requires the Department to award the federal funds in the same manner and subject to the same limitation as the awards of the housing tax credits, the following provisions apply.

(2) Any reference in this chapter to the administration of the housing tax credit program shall apply equally to the administration of such federal funds except:

(A) the Department may, as approved by the Board, establish a separate application procedure for such funds, outside of the uniform application cycle referred to in §2306.111, Texas Government Code, and the deadlines established in §2306.6724, Texas Government Code, and any reference herein to the application period shall refer to the period beginning on the date the Department begins accepting applications for such funds and continuing until all such available funds are awarded;

(B) unless reauthorized, this section is repealed on August 31, 2011.

**§49.10.Board Decisions.**

(a) The Board's decisions shall be based upon the Department's and the Board's evaluation of the proposed Developments' consistency with the criteria and requirements set forth in this QAP and other applicable Department rules.

(1) On awarding tax credits, the Board shall document the reasons for each Application's selection, including any discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, a commitment decision that conflicts with the recommendations of Department staff. Good cause includes the Board's decision to apply discretionary factors. (§§2306.6725(c); 2306.6731; and 42(m)(1)(A)(iv))

(2) In making a determination to allocate tax credits, the Board shall be authorized to not rely solely on the number of points scored by an Application. It shall in addition, be entitled to take into account, as it deems appropriate, the discretionary factors listed in this paragraph. The Board may also apply these discretionary factors to its consideration of Tax-Exempt Bond Developments. If the Board disapproves or fails to act upon an Application, the Department shall issue to the Applicant a written notice stating the reason(s) for the Board's disapproval or failure to act. The discretionary factors include: (§2306.111(g)(3))

(A) The Developer market study;

(B) The location;

(C) The compliance history of the Developer;

(D) The financial feasibility;

(E) The appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;

(F) The Development's proximity to other low-income housing Developments;
(G) The availability of adequate public facilities and services;
(H) The anticipated impact on local school districts;
(I) Zoning and other land use considerations;
(J) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes; and
(K) Other good cause as found by the Board.

(3) Before the Board approves any Application, the Department shall assess the compliance history of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development, including compliance information provided by the Texas State Affordable Housing Corporation. Department staff shall provide to the Board a written report regarding the results of the assessments. The Board has established a rule for the materiality of noncompliance in Chapter 60 of this title to address noncompliance associated with the Development, Applicant or Affiliate.

(b) **Waiting List.** (§2306.6711(c) and (d)) If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate, concurrently with the issuance of the Commitment, a waiting list of additional Applications ranked by score in descending order of priority based on Set-Aside categories and regional allocation goals. The Board may also apply discretionary factors in determining the waiting list provided that it takes into account the need to assure adherence to regional allocation requirements. If at any time prior to the end of the Application Round, one or more Commitments expire or a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set-Aside categories, including the 10% Nonprofit Set-Aside allocation, 15% At-Risk Set-Aside allocation and 5% TRDO-USDA Set-Aside required under §42(h)(5) of the Code. At the end of each calendar year, all Applications which have not received a Commitment shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) **Forward Commitments.** The Board may determine to issue Commitments of tax credit authority with respect to Applications from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment") to Applications submitted in accordance with the rules and timelines required under this chapter and the application checklist provided in the Tax Credit (Procedures) Manual. The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments considering score and discretionary factors.

(1) Unless otherwise provided in the Commitment with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the State Housing Credit Ceiling from which the credits are allocated.
(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of §42(h)(1)(C) of the Code.
(3) If tax credit authority shall become available to the Department in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

(d) **Appeals Process.** (§2306.6715) An Applicant may appeal decisions made by the Department as follows:

(1) The decisions that may be appealed are identified in subparagraphs (A) - (D) of this paragraph.
   (A) A determination regarding the Application's satisfaction of:
      (i) Eligibility Requirements;
      (ii) Disqualification or debarment criteria;
      (iii) Pre-application or Application Threshold Criteria;
      (iv) Underwriting Criteria;
   (B) The scoring of the Application under the Application Selection Criteria;
   (C) A recommendation as to the amount of Housing Tax Credits to be allocated to the Application; and
   (D) Any Department decision that results in termination of an Application.
(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant;
(3) An Applicant must file its appeal in writing with the Department not later than the seventh calendar day after the date the Department publishes the results of any stage of the Application evaluation process identified in §49.7 of this chapter (relating to Application Process). The appeal must be in writing, signed by the person designated to act on behalf of the Applicant or an attorney that represents the Applicant. The Appeal must be addressed to the Department to the attention of the Director of Multifamily Finance. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal, based on the original Application and additional documentation filed with the original Application as supplemented in accordance with the limitations and requirements of this chapter (the QAP). If the appeal relates to the amount of Housing Tax Credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request;
(4) The Executive Director of the Department shall respond in writing to the appeal not later than fourteen (14) calendar days after the date of actual receipt of the appeal by the Department in its offices. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:
   (A) The seventh calendar day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made; or
   (B) The third calendar day preceding the date of the Board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph;
(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is the final decision of the Department;
(6) The Department will post to its website an appeal filed with the Department or Board and any other document relating to the processing of the appeal. (§2306.6717(a)(5))

(e) **Provision of Information or Challenges Regarding Applications from Unrelated Entities to the Application.** The Department will address information or challenges received from unrelated entities to a specific 2011 active Application, utilizing a preponderance of the evidence standard, as stated in paragraphs (1) - (4) of this subsection, provided the information or challenge includes a contact name, telephone number, fax number and e-mail address of the person providing the information or challenge and must be received by the Department no later than the Application Challenges Deadline as identified in §49.3 of this chapter (relating to Program Calendar):
(1) Within fourteen (14) business days of the receipt of the information or challenge, the Department will post all information and challenges received (including any identifying information) to the Department's website;
(2) Within seven (7) business days of the receipt of the information or challenge, the Department will notify the Applicant related to the information or challenge. The Applicant will then

have seven (7) business days to respond to all information and challenges provided to the Department; and

(3) Within fourteen (14) business days of the receipt of the response from the Applicant, the Department will evaluate all information submitted and other relevant documentation related to the investigation. This information may include information requested by the Department relating to this evaluation. The Department will post its determination summary to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant.

(4) Nothing herein shall serve to limit the authority of the Board to apply discretion for good cause to the fullest extent lawfully permitted.

**§49.11.Tax-Exempt Bond Developments.**

(a) **Filing of Applications.** Applications for a Tax-Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (2) of this subsection:

(1) Applicants which receive advance notice of a Program Year 2011 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap must file a complete Application not later than 12:00 p.m. on December 30, 2010. Such filing must be accompanied by the Application fee described in §49.14 of this chapter (relating to Program Related Fees);

(2) Applicants which receive advance notice of a Program Year 2011 Certificate of Reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap must submit Volume 1 and Volume 2 of the Application and the Application fee described in §49.14 of this chapter prior to the Applicant's Certificate of Reservation date as assigned by the TBRB. Those Applications designated as Priority 3 by the TBRB must submit Volumes I and II within fourteen (14) days of the Certificate of Reservation date if the Applicant intends to apply for tax credits regardless of the Issuer. Any outstanding documentation required under this section regardless of Priority must be submitted to the Department at least sixty (60) days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is requested by the Applicant. The Department staff will have limited discretion to recommend an Application with appropriate justification of the late submission;

(3) Multiple site applications will be considered to be one Application as identified in Chapter 1372, Texas Government Code.

(b) **Applicability of Rules.** Tax-Exempt Bond Development Applications are subject to all rules in this chapter, with the only exceptions being the following sections: §49.4(c)(12) of this chapter (relating to One Mile Same Year Rule); §49.5(b) of this chapter (relating to Credit Amount); §49.6 of this chapter (relating to Allocation Process); §49.7(b), (c) and (d) of this chapter (relating to Pre-application); §49.7(g) of this chapter (relating to Methodology for Awards); §49.7(k) of this chapter (relating to Rural Rescue Applications); §49.9 of this chapter (relating to Selection Criteria); §49.10(b) and (c) of this chapter (relating to Waiting List and Forward Commitments); and §49.12(e) - (g) of this chapter (relating to Carryover, 10% Test and Substantial Construction).

(c) **Tenant Services.** Tax-Exempt Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of supportive services that would otherwise not be available for the tenants. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided. The provision of these services will be included in the LURA. Acceptable services include those described in §49.9(a)(9) of this chapter.

(d) **Financial Feasibility Evaluation for Tax-Exempt Bond Developments.** Section 42(m)(2)(D), Internal Revenue Code, requires the bond issuer (if other than the Department) to ensure that a Tax-Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period.

Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the §1.32 of this title (relating to Underwriting Rules and Guidelines), or request that the Department perform the function. If the issuer underwrites the Development, the Department may request such underwriting report and may upon review make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this subsection, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service. Any increase of tax credits, from the amount specified in the Determination Notice, at the time of each building's placement in service will only be permitted if it is determined by the Department, as required by §42(m)(2)(D) of the Code. Increases to the amount of tax credits that exceed 110% of the amount of credits reflected in the Determination Notice are contingent upon approval by the Board. Increases to the amount of tax credits that do not exceed 110% of the amount of credits reflected in the Determination Notice may be approved administratively by the Executive Director and are subject to the Credit Increase Fee as described in §49.14 of this chapter.

(e) **Certification of Tax Exempt Applications with New Docket Numbers.** Applications that are processed through the Department review and evaluation process and receive an affirmative Board Determination, but do not close the bonds prior to the Certificate of Reservation expiration date, and subsequently have that docket number withdrawn from the TBRB, may have their Determination Notice reinstated. The Applicant would need to receive a new docket number from the TBRB and one of the following must apply:

(1) The new docket number must be issued in the same program year as the original docket number and must not be more than four (4) months from the date the original application was withdrawn from the TBRB. The application must remain unchanged. This means that at a minimum, the following cannot have changed: site control, total number of units, unit mix (bedroom sizes and income restrictions), design/site plan documents, financial structure including bond and Housing Tax Credit amounts, development costs, rent schedule, operating expenses, sources and uses, ad valorem tax exemption status, target population, scoring criteria (TDHCA issues) or TBRB priority status including the effect on the inclusive capture rate. Note that the entities involved in the Applicant entity and Developer cannot change; however, the certification can be submitted even if the lender, syndicator or issuer changes, as long as the financing structure and terms remain unchanged. Notifications under §49.8(9) of this chapter (relating to Threshold Criteria) are not required to be reissued. A revised Determination Notice will be issued once notice of the assignment of a new docket number has been provided to the Department and the Department has confirmed that the capture rate and market demand remain acceptable. This certification must be submitted no later than thirty (30) days after the date the TBRB issues the new docket number. In the event that the Department's Board has not yet approved the Application, the Application will continue to be processed and ultimately provided to the Board for consideration. This certification must be submitted no later than thirty (30) days after the date the TBRB issues the new docket number; or

(2) If there are changes to the Application as referenced in paragraph (1) of this subsection or if there is public opposition, the Applicant will be required to submit a new Application in full, along with the applicable fees, to be reviewed and evaluated in its entirety for a new ~~d~~Determination ~~n~~Notice to be issued.

**§49.12. Post Award Activities.**

(a) **Adherence to Obligations.** (§2306.6720) Compliance with representations, undertakings and commitments made by an Applicant in the Application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be enforceable even if not reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, as stated in the representations and in accordance with the LURA. If a Development Owner does not produce the Development as represented in the Application; does not receive approval for an amendment to the Application by the Department prior to implementation of such amendment; or does not provide the necessary evidence for any points received by the required deadline:

(1) The Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) The Board will opt either to terminate the Application and rescind the Commitment, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:

(A) Reduce the score for Applications for Competitive Housing Tax Credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by up to ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board;

(B) Prohibit eligibility to apply for Housing Tax Credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for up to twenty-four (24) months from the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board, less any time delay caused by the Department;

(C) In addition to, or in lieu of, the penalty in subparagraph (A) or (B) of this paragraph, the Board may assess a penalty fee of up to $1,000 per day for each violation.

(3) For amendments approved administratively by the Executive Director, the penalties in paragraph (2) of this subsection will not be imposed.

(b) **Commitments and Determination Notices.**

(1) **Commitments.** If the Application is for a commitment from the State Housing Credit Ceiling, the Department shall issue a Commitment to the Development Owner which shall:

(A) Confirm that the Board has approved the Application; and

(B) State the Department's commitment to make a Housing Credit Allocation to the Development Owner in a specified amount, subject to the feasibility determination described in this chapter, and compliance by the Development Owner with the remaining requirements of this chapter and any other terms and conditions set forth therein by the Department. This Commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the Commitment by executing the Commitment, pays the required fee specified in §49.14(f) of this chapter (relating to Program Related Fees), and satisfies any other conditions set forth therein by the Department. The Commitment expiration date may not be extended;

(2) **Determination Notices.** If the Application regards a Tax-Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) Confirm the Board's determination that the Development satisfies the requirements of this chapter (the QAP) and other applicable Department rules in accordance with the §42(m)(1)(D) of the Code. Applications that receive a Certificate of Reservation from the TBRB on or before November 15, 2010 will be required to satisfy the requirements of the

2010 QAP; Applications that receive a Certificate a Reservation from the TBRB on or after January 1, 2011 will be required to satisfy the requirements of the 2011 QAP; and

(B) State the Department's commitment to issue IRS Form(s) 8609 to the Development Owner in a specified amount, subject to the requirements set forth in §49.11 of this chapter (relating to Tax-Exempt Bond Developments) and compliance by the Development Owner with all applicable requirements of this chapter and any other terms and conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice, pays the required fee specified in §49.14(f) of this chapter and satisfies any conditions set forth therein by the Department. The Determination Notice expiration date may not be extended. Furthermore, no later than sixty (60) days following closing on the bonds, the Development Owner must submit a Management Plan and an Affirmative Marketing Plan (as further described in the carryover procedures as identified in the Tax Credit (Procedures) Manual and evidence must be provided at this time of attendance of the Development Owner or management company at Department-approved Fair Housing training relating to leasing and management issues for at least five (5) hours and the Development architect and engineer at Department-approved Fair Housing training relating to design issues for at least five (5) hours. Certifications must not be older than two (2) years;

(3) ~~(3)~~ The Department shall notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment or Determination Notice, as applicable;

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or Rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Housing Tax Credit Program as expressed in this QAP and other applicable Department rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented;

(5) The executed Commitment or Determination Notice must be returned to the Department no later than thirty (30) days after the effective date of the Notice provided that for Commitments under the State Housing Credit Ceiling that date is not later than December 31.

(6) The Department may cancel a Commitment, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(A) The Applicant or the Development Owner, or the Development, as applicable, fails after written notice and a reasonable opportunity to cure to meet any of the conditions of such Commitment, Determination Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the Applications process for the Development;

(B) Any material statement or representation made by the Development Owner or made with respect to the Development Owner or the Development is untrue or misleading;

(C) An event occurs with respect to the Applicant or the Development Owner which would have made the Development's Application ineligible for funding pursuant to §49.4 of this chapter (relating to Ineligibility) if such event had occurred prior to issuance of the Commitment, Determination Notice or Carryover Allocation; or

(D) The Applicant or the Development Owner or the Development, as applicable, fails after written notice and a reasonable opportunity to cure to comply with this chapter or other applicable Department rules or the procedures or requirements of the Department.

(c) **Agreement and Election Statement.** The Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the Applicable Percentage with respect to a building or buildings for the month in which the Carryover Allocation was accepted (or the month the bonds were closed for Tax-Exempt Bond Developments), as provided in the §42(b)(2) of the Code. Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the Applicable Percentage for a Development (receiving credits from the State Housing Credit Ceiling), the Carryover Allocation Document must be executed by the Department and the Development Owner within the same month. The Department staff will cooperate with a Development Owner, as possible or reasonable; to assure that the Carryover Allocation Document can be so executed.

(d) **Documentation Submission Requirements at Commitment of Funds.** No later than the date the Commitment or Determination Notice is executed by the Applicant and returned to the Department with the appropriate Commitment or Determination Fee as further described in §49.14(f) of this chapter, the following documents must also be provided to the Department. Failure to provide these documents may cause the Commitment or Determination Notice to be rescinded. For each Applicant all of the following must be provided:

(1) For entities formed outside the state of Texas, evidence that the entity has the authority to do business in Texas in the form of a Certificate of Filing from the Texas Office of the Secretary of State;
(2) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Amendment from the Texas Office of the Secretary of State if the name reserved at Application has changed;
(3) Evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution which indicates the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents;
(4) Evidence of final zoning that was proposed or needed to be changed pursuant to the Development plan;
(5) Evidence that the Applicant has and will maintain Site Control through 10% Test; and
(6) Any conditions identified in the Real Estate Analysis report or any other conditions of the award required to be met at Commitment or Determination Notice.

(e) **Carryover.** All Developments which received a Commitment, and will not be placed in service and receive IRS Form 8609 in the year the Commitment was issued, must submit the Carryover documentation to the Department no later than the Carryover Documentation Delivery Date as identified in §49.3 of this chapter (relating to Program Calendar) of the year in which the Commitment is issued pursuant to §42(h)(1)(C) of the Code.

(1) Commitments for credits will be terminated if the Carryover documentation, or an approved extension, has not been received by this deadline. In the event that a Development Owner intends to submit the Carryover documentation in any month preceding November of the year in which the Commitment is issued, in order to fix the Applicable Percentage for the Development in that month, it must be submitted no later than the first Friday in the preceding month.
(2) If the financing structure, syndication rate, amount of debt or syndication proceeds are revised at the time of Carryover from what was proposed in the original Application, applicable documentation of such changes must be provided and the Development may be reevaluated by the Department.
(3) The Carryover Allocation must be properly completed and delivered to the Department as prescribed by the carryover procedures identified in the Tax Credit (Procedures) Manual.
(4) All Carryover Allocations will be contingent upon the Development Owner providing evidence that the Development Site is still under control of the Development Owner. For purposes of

this paragraph, site control must be identical to the same Development Site that was submitted at the time of Application submission.

(5) The Department will not execute a Carryover Allocation Agreement with any Development Owner having any member in Material Noncompliance on October 3, 2011.

(f) **10% Test.** No later than six (6) months from the date the Carryover Allocation Document is executed by the Department and the Development Owner, more than 10% of the Development Owner's reasonably expected basis must have been incurred pursuant to §42(h)(1)(E)(i) and (ii) of the Internal Revenue Code (as amended by The Housing and Economic Recovery Act of 2008) and Treasury Regulations, §1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than the 10% Test Documentation Delivery Date as identified in §49.3 of this chapter. The Development Owner must submit, in the form prescribed by the Department, documentation evidencing paragraphs (1) - (6) of this subsection. The 10% Test Documentation will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment:

(1) Evidence that the Development Owner has purchased, transferred, leased or otherwise has ownership of, the Development Site;

(2) A current original plat or survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the carryover procedures of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Tax Credit (Procedures) Manual;

(3) For all Developments involving New Construction or Adaptive Reuse, evidence of the availability of all necessary utilities/services to the Development Site must be provided. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter should not be older than three (3) months from the first day of the Application Acceptance Period and must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost necessary to obtain service, and an estimate of any portion of that cost that will be borne by the Development Owner. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development Site;

(4) A Management Plan and an Affirmative Marketing Plan as further described in the carryover procedures identified in Tax Credit (Procedures) Manual;

(5) Evidence confirming attendance of the Development Owner or management company at Department-approved Fair Housing training relating to leasing and management issues for at least five (5) hours and the Development architect and engineer at Department-approved Fair Housing training relating to design issues for at least five (5) hours on or before the time the 10% Test Documentation is submitted. Certifications must not be older than two (2) years from the date of submission of the 10% Test Documentation; and

(6) A Certification from the Architect that the Development will be equipped with Energy Saving Devices that meet the standard statewide energy code adopted by the state energy conservation office, unless historic preservation codes permit otherwise for a Development involving historic preservation.

(g) **Commencement of Substantial Construction.** No later than July 1 of the year following the execution of the Carryover Allocation Document the Development Owner must submit evidence of having commenced and continued substantial construction activities as defined in Chapter 60 of this title (relating to Compliance Administration).

(h) **Land Use Restriction Agreement (LURA).** The Development Owner must request a LURA from the Department no later than the date specified in Chapter 60 of this title. The Development Owner must complete, date, sign and acknowledge before a notary public the LURA and send the original to the Department for execution. The initial compliance and monitoring fee must be included, accompanied by a statement, signed by the Owner, indicating the start of the Development's Credit Period and the earliest placed in service date for the Development buildings. After receipt of the signed LURA from the Department, the Development Owner shall then record the LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department no later than the date that the Cost Certification Documentation is submitted to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA, which are required by §42(h)(6)(E)(ii) of the Code to remain in effect following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department, or assigns, shall physically inspect the Development for compliance with the Application and the representations, warranties, covenants, agreements and undertakings contained therein. Such inspection will be conducted before the IRS Form 8609 is issued for a building, but it shall be conducted in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax-Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA. The LURA shall contain any provision which requires the Development Owner to restrict rents and incomes at any AMGI level, as approved by the Board. The restricted gross rents for any AMGI level outlined in the LURA will be calculated in accordance with §42(g)(2)(A), Internal Revenue Code.

(i) **Cost Certification.** The cost certification procedures as identified in the Tax Credit (Procedures) Manual sets forth the documentation required for the Department to perform a feasibility analysis in accordance with §42(m)(2)(C)(i)(II), Internal Revenue Code, and determine the final Credit to be allocated to the Development.

(1) Required cost certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins. Any Developments issued a Commitment or Determination Notice that fails to submit its cost certification documentation by this deadline will be reported to the IRS and the Owner will be required to submit a request for extension consistent with §49.13(c) of this chapter (relating to Extension Requests);

(2) The Department will perform an initial evaluation of the cost certification documentation and notify the Development Owner in a deficiency letter of all additional required documentation. Any communication issued to the Development Owner pertaining to the cost certification documentation may also be copied to the syndicator;

(3) For the Department to release IRS Forms 8609, Developments must have:

(A) Placed in Service by December 31 of the year the Commitment Notice was issued if a Carryover Allocation was not requested and received; December 31 of the second year following the year the Carryover Allocation Agreement was executed; or approved Placed in Service deadline;

(B) Submitted all Cost Certification documentation as more fully described in the cost certification procedures identified in the Tax Credit (Procedures) Manual, including:

(i) Carryover Allocation Agreement/Determination Notice and Election Statement;
(ii) Owner's Statement of Certification;
(iii) Owner Summary;
(iv) Evidence of Nonprofit and CHDO Participation;
(v) Evidence of Historically Underutilized Business (HUB) Participation;
(vi) Development Summary;
(vii) As-Built Survey;
(viii) Closing Statement;
(ix) Title Policy;
(x) Evidence of Placement in Service;

(xi) Independent Auditor's Reports;
(xii) Total Development Cost Schedule;
(xiii) AIA Form G702 and G703, Application and Certificate for Payment;
(xiv) Rent Schedule;
(xv) Utility Allowance;
(xvi) Annual Estimated Operating Expenses and 15-Year Proforma;
(xvii) Current Annual Operating Statement and Rent Roll;
(xviii) Final Sources of Funds;
(xix) Executed Limited Partnership Agreement;
(xx) Loan Agreement or Firm Commitment;
(xxi) Architect's Certification of Fair Housing Requirements; and
(xxii) TDHCA Compliance Workshop Certificate;

(C) Complied with the requirements set forth in the Cost Certification Procedures Manual;
(D) Received written notice from the Department that all deficiencies noted during the final inspection have been resolved in accordance with Chapter 60 of this title;
(E) Informed the Department of and received written approval for all Development amendments in accordance with §49.13(b) of this chapter (relating to Amendment of Application Subsequent to Allocation by Board);
(F) Informed the Department of and received written approval for all ownership transfers in accordance with §49.13(d) of this chapter (relating to Housing Tax Credit and Ownership Transfers);
(G) Submitted to the Department the LURA in accordance with subsection (h) of this section;
(H) Paid all applicable Department fees; and
(I) Corrected all issues of noncompliance, including but not limited to noncompliance status with the LURA (or any other document containing an Extended Low-income Housing Commitment) or the program rules in effect for the subject property, as described in Chapter 60 of this title.

**§49.13.Board Reevaluation (§2306.6731(b)).**

(a) Regardless of development stage, the Board shall reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment or Determination Notice for the Development. For the purposes of this subsection, substantial change shall be based on those items identified in subsection (b)(4) of this section. The Board may revoke any Commitment or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) **Amendment of Application Subsequent to Allocation by Board.** (§2306.6712 and §2306.6717(a)(4))

(1) If a proposed modification would materially alter a Development approved for an allocation of ~~a~~ Housing Tax Credits, or if the Applicant has altered any Selection Criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application. ~~and s~~Such request shall include a proposed form of amendment, if requested by the Department, ~~prepared at the Applicant's sole expense by an attorney licensed to practice law in the State of Texas~~ and the applicable fee as identified in §49.14(l) of this chapter (relating to Extension and Amendment Fees). The amendment request will not be considered received unless accompanied with the corresponding fee.

(2) The Executive Director of the Department shall require ~~the~~ appropriate Department staff to evaluate the amendment and provide a~~n~~ written analysis and ~~written~~ recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with subsection (h) of this section shall also provide to the Board an analysis and written recommendation regarding the amendment. For amendments not requiring Board approval, the amendment will be deemed approved if the Executive Director does not approve or deny within thirty (30) days from the date on which the Department has acknowledged it has

received all additional information that it has, in writing, requested of the Applicant to enable the Department to evaluate the amendment request. ~~For a~~Amendment~~s~~ requests which require Board approval~~, the amendment request~~ must be received by the Department at least forty-five (45) days prior to the Board meeting in which ~~where~~ the amendment will be considered.

(3) The Board must vote ~~on~~ whether to approve an amendment that is material. The Executive Director may administratively approve all non-material ~~an~~ amendments~~ that is not material~~. The Board ~~by~~ may vote ~~may~~ to reject an amendment request and~~,~~ if appropriate, rescind a Commitment or terminate the allocation of Housing Tax Credits and reallocate the credits to other Applicants on the waiting list. Amendment requests may be denied if the Board determines that the modification proposed in the amendment:
  (A) Would materially alter the Development in a negative manner; or
  (B) Would have adversely affected the selection of the Application in the Application Round.

(4) Material alteration of a Development includes, but is not limited to:
  (A) A significant modification of the site plan;
  (B) A modification of the number of units or bedroom mix of units;
  (C) A substantive modification of the scope of tenant services;
  (D) A reduction of 3% or more in the square footage of the units or common areas;
  (E) A significant modification of the architectural design of the Development;
  (F) A modification of the residential density of the Development of at least 5%;
  (G) An increase or decrease in the site acreage of greater than 10% from the original site under control and proposed in the Application; and
  (H) Any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, ~~the~~ Department staff shall consider whether the need for the proposed modification ~~proposed in the amendment~~ was:
  (A) Reasonably foreseeable by the Applicant at the time the Application was submitted; or
  (B) Preventable by the Applicant. ~~An a~~Amendment requests will be denied ~~disapproved~~ if the circumstances were reasonably foreseeable and preventable unless ~~there is a finding of~~ good cause is found for the approval of the amendment.

(6) This section shall be administered in a manner that is consistent with §42 of the Code.

(7) Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's website and the Applicant will be notified of the posting.

(8) In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants targeted in the Real Estate Analysis Report at the time of the Commitment Notice issuance, as approved by the Board, the following procedure will apply:
  (A) For amendments that involve a reduction in the total number of Low-Income Units being served, or a reduction in the number of Low-Income Units at any level of AMGI, as approved by the Board, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request; however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued feasibility of the Development; and
  (B) If it is determined by the Department that the allocation of credits would not have been made in the year of allocation because the loss of low-income targeting points would have resulted in the Application not receiving an allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the Applicant and all Persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (for both the Competitive Housing Tax Credit Developments and Tax-

Exempt Bond Developments) for twenty-four (24) months from the time that the amendment is approved.

(c) **Extension Requests.** All extension requests relating to the Carryover, Documentation for 10% Test, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a mandatory non-refundable extension fee as identified in §49.14(l) of this chapter. Such requests must be submitted to the Department no later than the date for which an extension is being requested. All requests for extensions totaling less than six (6) months may be approved by the Executive Director and are not required to have Board approval. For extensions that require Board approval, the extension request must be received by the Department at least fifteen (15) business days prior to the Board meeting where the extension will be considered. The extension request shall specify a requested extension date and the reason why such an extension is required. Carryover extension requests shall not request an extended deadline later than December 1st of the year the Commitment was issued. The Department, in its sole discretion, may consider and grant such extension requests for all items. If an extension is required at Cost Certification, the fee as identified in §49.14 of this chapter (relating to Program Related Fees) must be received by the Department to qualify for issuance of Forms 8609.

(d) **Housing Tax Credit and Ownership Transfers.** (§2306.6713) A Development Owner may not transfer an allocation of Housing Tax Credits or ownership of a Development supported with an allocation of Housing Tax Credits to any Person including an Affiliate of the Development Owner unless the Development Owner obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer.

(1) Transfers (other than an Affiliate included in the ownership structure) will not be approved prior to the issuance of IRS Forms 8609 unless the Development Owner can provide evidence that a hardship is creating the need for the transfer (potential bankruptcy, removal by a partner, etc.). A Development Owner seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department.

(2) A Development Owner seeking Executive Director approval of a transfer must provide the Department with documentation requested by the Department, including but not limited to, a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. All transfer requests must disclose the reason for the request. The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the Housing Tax Credit Program, LURAs; and the sufficiency of the transferee's experience with Developments supported with Housing Credit Allocations. If the viable operation of the Development is deemed to be in jeopardy by the Department, the Department may authorize changes that were not contemplated in the Application.

(3) As it relates to the credit amount further described in §49.5(b) of this chapter (relating to Site and Development Restrictions), the credit amount will not be applied in the following circumstances:

(A) In cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(B) In cases where the General Partner is being replaced if the award of credits was made at least five (5) years prior to the transfer request date.

(e) **Sale of Certain Tax Credit Properties.** Consistent with §2306.6726, Texas Government Code, not later than two (2) years before the expiration of the Compliance Period, a Development Owner who agreed to provide a right of first refusal under §2306.6725(b)(1), Texas Government Code, and who intends to sell the property shall notify the Department of its intent to sell.

(1) The Development Owner shall notify Qualified Nonprofit Organizations and tenant organizations of the opportunity to purchase the Development. The Development Owner may:
   (A) During the first six-month period after notifying the Department, negotiate or enter into a purchase agreement only with a Qualified Nonprofit Organization that is also a community housing development organization as defined by the Federal Home Investment Partnership Program (HOME);
   (B) During the second six-month period after notifying the Department, negotiate or enter into a purchase agreement with any Qualified Nonprofit Organization or tenant organization; and
   (C) During the year before the expiration of the compliance period, negotiate or enter into a purchase agreement with the Department or any Qualified Nonprofit Organization or tenant organization approved by the Department.

(2) Notwithstanding items for which points were received consistent with §49.9(a) of this chapter (relating to Selection Criteria), a Development Owner may sell the Development to any purchaser after the expiration of the compliance period if a Qualified Nonprofit Organization or tenant organization does not offer to purchase the Development at the minimum price provided by §42(i)(7) of the Code, and the Department declines to purchase the Development.

(f) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation, and making any required statements as to the return of any tax credits allocated to the Development at issue.

(g) **Alternative Dispute Resolution (ADR) Policy.** In accordance with §2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2010, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by law and the Department's Ex Parte Communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at any time an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title (relating to Alternative Dispute Resolution and Negotiated Rulemaking).

(h) **Compliance Monitoring and Material Noncompliance.** Section 42(m)(1)(B)(iii) of the Code, requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for compliance with the provisions of §42 of the Code and in notifying the IRS of any noncompliance of which the Department becomes aware. Detailed compliance rules and procedures for monitoring are set forth in Chapter 60 of this title (relating to Compliance Administration).

**§49.14.Program Related Fees.**

(a) **Timely Payment of Fees.** All fees must be paid as stated in this section, unless the Executive Director has granted a waiver for specific extenuating and extraordinary circumstances. To be eligible for a waiver, the Applicant must submit a request for a waiver no later than ten (10) business days prior to the deadlines as stated in this section. Any fees, as further described in this section, that are not timely paid will cause an Applicant to be ineligible to apply for tax credits and additional tax credits and ineligible to submit extension requests, ownership changes and Application amendments. Payments made by check, for which insufficient funds are available, may cause the Application, Commitment or Allocation to be terminated.

(b) **Pre-application Fee.** Each Applicant that submits a Pre-application shall submit to the Department, along with such Pre-application, a non refundable Pre-application fee, in the amount of $10 per Unit. Units for the calculation of the Pre-application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-applications without the specified Pre-application Fee in the form of a check will not be accepted. Pre-applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the Managing General Partner of the Development Owner, or Control the Managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Pre-application fee. (§2306.6716(d)) For Tax Exempt Bond Developments with the Department as the issuer, the Applicant shall submit the following fees: $1,000 (payable to TDHCA), $2,000 (payable to Vinson & Elkins, Bond Counsel), and $5,000 (payable to the Texas Bond Review Board).

(c) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a pre-application which met Pre-application Threshold and for which a pre-application fee was paid, the Application fee will be $20 per Unit. For Applicants not having submitted a pre-application, the Application fee will be $30 per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a check will not be accepted. Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the Managing General Partner of the Development Owner, or Control the Managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Application fee. (§2306.6716(d)) For Tax Exempt Bond Developments with the Department as the Issuer the Applicant shall submit a tax credit application fee of $30 per unit and bond application fee of $10,000. Those Applications utilizing a local issuer only need to submit the tax credit application fee. For Tax-Exempt Bond Development refunding Applications, with the Department as the issuer, the Application Fee will be $10,000 unless the refunding is not required to have a TEFRA public hearing, in which case the fee will be $5,000.

(d) **Refunds of Pre-application or Application Fees.** (§2306.6716(c)) Upon written request from the Applicant, the Department shall refund the balance of any fees collected for a pre-application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on pre-applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 50% of the review, and Threshold review prior to a deficiency issued will constitute 30% of the review. Deficiencies submitted and reviewed constitute 20% of the review. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 20% of the review, the site visit will constitute 20% of the review, Eligibility and Selection review will constitute 20%, and Threshold review will constitute 20% of the review, and underwriting review will constitute 20%. The Department must provide the refund to the Applicant not later than the 30th day after the date of request.

(e) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent external underwriter in accordance with §49.7(h) of this chapter (relating to Application Process) if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the external underwriting will be credited against the Commitment

Fee established in subsection (f) of this section, in the event that a Commitment or Determination Notice is issued by the Department to the Development Owner.

(f) **Commitment or Determination Notice Fee.** Each Development Owner that receives a Commitment or Determination Notice shall submit to the Department, not later than the expiration date on the Commitment or Determination Notice, a Commitment or Determination Fee equal to 5% of the annual Housing Credit Allocation amount. The Commitment or Determination Fee shall be paid by check. If a Development Owner of an Application awarded Competitive Housing Tax Credits has paid a Commitment Fee and returns the credits by November 1, 2011, the Development Owner may receive a refund of 50% of the Commitment Fee. If a Development Owner of an Application awarded Housing Tax Credits associated with Tax-Exempt Bonds has paid a Determination Fee and is not able close on the bond transaction within ninety (90) days of the issuance date of the Determination Notice, the Development Owner may receive a refund of 50% of the Determination Fee. The Determination Fee will not be refundable after ninety (90) days of the issuance date of the Determination Notice.

(g) **Compliance Monitoring Fee.** Upon receipt of the cost certification, the Department will invoice the Development Owner for compliance monitoring fees. The amount due will equal $40 per tax credit Unit. The fee will be collected, retroactively if applicable, beginning with the first year of the credit period. The invoice must be paid prior to the issuance of form 8609. Subsequent anniversary dates on which the compliance monitoring fee payments are due shall be determined by the month the first building is placed in service. For Tax-Exempt Bond Developments with the Department as the issuer, the annual tax credit compliance fee will be paid annually in advance (for the duration of the compliance or affordability period) and is equal to $40/Unit beginning two (2) years from the first payment date of the bonds; the asset management fee, if applicable is paid in advance and is equal to $25/Unit beginning two (2) years from the first payment date. Compliance fees may be adjusted from time to time by the Department.

(h) **Building Inspection Fee.** The Building Inspection Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is $750. Inspection fees in excess of $750 may be charged to the Development Owner not to exceed an additional $250 per Development.

(i) **Tax-Exempt Bond Credit Increase Request Fee.** As further described in §49.11 of this chapter (relating to Tax-Exempt Bond Developments), requests for increases to the credit amounts to be issued on IRS Forms 8609 for Tax-Exempt Bond Developments must be submitted with a request fee equal to 5% of the amount of the credit increase for one (1) year.

(j) **Public Information Requests.** Public information requests are processed by the Department in accordance with the provisions of the Texas Government Code, Chapter 552. The Department uses the guidelines promulgated by the Office of the Attorney General to determine the cost of copying and other costs of production.

(k) **Periodic Adjustment of Fees by the Department and Notification of Fees.** (§2306.6716(b)) All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish each year an updated schedule of Application fees that specifies the amount to be charged at each stage of the Application process. Unless otherwise determined by the Department, all revised fees shall apply to all Applications in process and all Developments in operation at the time of such revisions.

(l) **Extension and Amendment Fees.**

(1) All extension requests relating to the Carryover, Documentation for 10% Test, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a mandatory non-refundable extension fee in the form of a check in the amount of $2,500. Such extension requests must be submitted to the Department in accordance with §49.13(c) of this chapter (relating to Board Reevaluation).
(2) Amendment requests must be submitted in accordance with §49.13(b) of this chapter and be accompanied by a mandatory non-refundable amendment fee in the form of a check in the amount of $2,500.
(3) The Board may waive extension or amendment fees for good cause.

(m) **Penalties.** Development Owners who have more tax credits allocated to them than they can substantiate through Cost Certification will return those excess tax credits prior to issuance of 8609's. For Competitive Housing Tax Credit Developments, a penalty fee equal to the one year credit amount of the lost credits (10% of the total unused tax credit amount) will be required to be paid by the Owner prior to the issuance of form 8609's if the tax credits are not returned, and 8609's issued, within one hundred eighty (180) days of the end of the first year of the credit period. This penalty fee may be waived without further Board action if the Department recaptures and re-issues the returned tax credits in accordance with §42, Internal Revenue Code. If an Applicant returns a full credit allocation after the Carryover Allocation deadline required for that allocation, the Department will impose a penalty on the score for any Competitive Housing Tax Credit Applications submitted by that Applicant or any Affiliate of that Applicant for any Application in an Application Round occurring concurrent to the return of credits or if no Application Round is pending the Round immediately following the return of credits unless otherwise exempted in accordance with the Board's policy pursuant to the implementation of The Housing and Economic Recovery Act of 2008, H.R. 3221, in September 2008. The penalty will be assessed in an amount that reduces the Applicant's final awarded score by an additional 20%.

**§49.15.Manner and Place of Filing All Required Documentation.**

(a) All Applications, letters, documents, or other papers filed with the Department must be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.

(b) All notices, information, correspondence and other communications under this chapter shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas 78711-3941 or for hand delivery or courier to 221 East 11th Street, Austin, Texas 78701 or more current address of the Department as released on the Department's website. Every such correspondence required or contemplated by this chapter to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph, electronic submission or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Regardless of method of delivery, documents must be received by the Department no later than 5:00 p.m. for the given deadline date. Notice by courier, express mail, certified mail, or registered mail will be considered received on the date it is officially recorded as delivered by return receipt or equivalent. Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.

(c) If required by the Department, Development Owners must comply with all requirements to use the Department's website to provide necessary data to the Department.

**§49.16.Waiver and Amendment of Rules.**

(a) The Board, in its discretion, may waive any one or more of the rules provided herein if the Board finds that a waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.

(b) The Department may amend this chapter contained herein at any time in accordance with Chapter 2001, Texas Government Code.

**§49.17.Department Responsibilities.**

(a) The Department shall make all required notifications pursuant to Chapter 2306 of the Texas Government Code.

(b) In accordance with §§2306.6724, 2306.67022 and §42(m)(1) regarding the deadlines for allocating Housing Tax Credits the following shall apply:

(1) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft QAP required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the Housing Tax Credit program;

(2) The Board shall adopt and submit to the Governor the QAP not later than November 15 of each year;

(3) The Governor shall approve, reject, or modify and approve the QAP not later than December 1 of each year;

(4) The Board shall annually adopt a manual, corresponding to the QAP, to provide information on how to apply for Housing Tax Credits;

(5) Applications for Housing Tax Credits to be issued a Commitment during the Application Round in a calendar year must be submitted to the Department not later than March 1;

(6) The Board shall review the recommendations of Department staff regarding Applications and shall issue a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30; and

(7) The Board shall approve final commitments for allocations of Housing Tax Credits each year in accordance with the QAP not later than July 31, unless unforeseen circumstances prohibit action by that date. In any event, the Board shall approve final Commitments for allocations of Housing Tax Credits each year in accordance with the QAP not later than September 30. Department staff will subsequently issue Commitments based on the Board's approval. Final Commitments may be conditioned on various factors approved by the Board, including resolution of contested matters in litigation.

(c) With respect to site demographics information, the general rule is for the Department to use current State Demographer information. If the State Demographer information is not available as of the date the Application Acceptance Period opens the Executive Director may approve the use of prior year site demographics.

# Comment #1

# Joe Chamy, Chamy Investments

*Chamy Investments*
REAL ESTATE

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September 13, 2010

Ms. Raquel Morales
TDHCA
P.O. Box 13941
Austin, TX 78711-3941

RE: Exhaust/Vent Fans (Vented to the Outside) in bathrooms
49(h)(4)(B)

Dear Ms. Morales;

Reference is hereby made to Development Certification Form that references the above as a Threshold Requirement.

While I concur with venting Bathrooms Fans to the outside, for new construction; in the case of preservation developments; this can , in some cases, create some construction issues that are not only excessively expensive, but in my opinion, the structural issues that are created might not inure to the overall long term benefit of the Development.

In the instance I have in mind, while we were able to vent to the outside (either through the roof or outside walls); the excessive number of roof penetrations to accomplish this task and the consequent weakness to the roof system, by far offsets any negative impacts of an existing ventless bathroom fan system.

Your consideration of this in the future would be appreciated.

Yours very truly

W. Joseph Chamy
WJC/1
Cc: Ms. Robbie Myer
Mr. Kimbal Thompson

# Comment #2

# S. Anderson Consulting and S2A Development Consulting

**S. Anderson Consulting and S2A Development Consulting**
**2011 QAP Comments**

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Thank you for the opportunity to make comment on the 2011 Draft QAP.

In addition to supporting the comments already submitted by TAAHP, I would like to make further comment on the following items:

1. **Scoring item #7 – Rent levels of the Units**

The additional requirements for even deeper income targeting are troubling. With the lowering of equity pricing and rise of interest rates for multifamily deals, I do not see how any deal will be able to meet the 65% income to expense ratio if we add 10% more 30% units, 30% more 50% units or a mixture of them. The Valley, El Paso, and rural areas will especially struggle with this. Other deals that would have normally been strong will now run with substantial gaps, reducing the overall strength of the deal.

**Suggestion:** TDHCA needs to do extensive research on this and talk to investors before making such a drastic change. This needs to revert back to previous language until more research can be done on the impact of the change.

2. **Scoring Item #16 – Development Location**
    - The addition of the 3rd Party Funding outside of QCT is problematic. The inclusion of this item in the scoring category means that everyone will get these points so that we have lost another totally objective scoring item to differentiate deals.
    - Additionally, it was the counter balance for a one point scoring item for going to Qualified Census Tracts (#24) – so now the QAP is incentivizing going to QCTs – driving us to poorer areas where we can't get full rents. A major problem considering the lawsuit TDHCA has been fighting regarding the concentration of tax credit units in poorer neighborhoods.

**Suggestion:** Give this item 6 or 8 possible maximum points with the following each possible for 2, no limitation based on family or elderly – this will show a true priority of de-concentrating lower income populations and provide more opportunities to their residents.

- Tract income higher than county income
- Less than 10% poverty
- Recognized/exemplary school
- Urban core
- Four story dev with structured parking located next to transportation.

3. **Scoring item #14:** At the July Board meeting, precedent was set making it clear that participant changes from Pre-App to full App were okay – this item reverses that decision. It is important to note that there is certain amount of fluidity between pre

and full applications and we need too maintain the flexibility up until the full application is submitted.

**Suggestion:** remove item (C), certification confirming the same principals from pre-app to full app.

4. **Scoring item #13:** The merging of all of these is problematic. I believe that prioritizing rehab was done to meet statute regarding preservation (Sec. 2306.802 Multifamily Historic Preservation) Specifically Class B (Class A is done through the At-Risk set aside). Considering the amount of comments received over the years regarding the desire of communities to rehab existing housing stock over the creation of new, we would like to see this priority remain.

**Suggestion:** Put item (D) back as its own scoring item for 3 points.

Comment #3

Donna Rickenbacker,
Marque Real Estate
Consultants

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September 7, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Dear Chair Conine and TDHCA Board:

I respectfully request your consideration of the following recommendations and comments to the 2011 Qualified Allocation Plan:

- 49.4(c) – Ineligible Developments.

    a. Adaptive Reuse developments are ineligible if bedroom sizes are greater than the percentages described in this section. Adaptive Reuse by definition is a "change in use" of an existing non-residential building, and as such the existing building, which includes older sometimes Historic Buildings that may not have the square footage to accommodate these percentages. There needs to be flexibility with these percentages if the Applicant is proposing Adaptive Reuse and is constrained based on what the building will allow and the type of housing being considered. I respectfully request that the Board consider these maximum percentage bedroom sizes and the impact on projects that favor tenants who are involved in artistic or literary activities, an allowable affordable housing preference under the Code. These types of projects consist primarily of one bedroom units with large open area live-work space and as such would be considered ineligible under this provision. Adaptive Reuse of a building is a great way to provide housing that favors these types of tenants. Attached please find my memo to the Staff regarding this issue and recommended changes to the QAP that also addresses the increased costs associated with Adaptive Reuse developments; and

    b. Development Sites adjacent to "negative characteristics" are now ineligible. This is problematic for an Adaptive Reuse development. Adaptive Reuse of a building usually occurs in higher density Urban areas, Urban Cores, and Transit Oriented Districts where active railroad tracks, junkyards, and/or industrial uses may be within 300-yards of the proposed site, and therefore should not deem the site ineligible. New and improved housing activity through Adaptive Reuse supports and enhances a community's efforts to revitalize key Urban areas of their city and potentially serves as a catalyst for removing several negative or unwanted features in these areas.

- 49.5(b) – Credit Amount. The ability to prorate the credit cap based on the partnership between experienced and inexperienced developers was removed. This coupled with the removal of the ability of a HUB under Section 49.9(a)(23) to team up with an experienced developer and not have the experienced developer subject to the credit limitation, leaves no option under the QAP for expanding development opportunities to inexperienced developers. This change is contrary to the Board's intentions to bring more developers into the program. I recommend that the language in the 2010 QAP be reinstated.

- 49.8(4) – Experience Certification. The changes now require that the experienced party to the application have actual previous experience in the program. This will exclude qualified and experienced multifamily developers from entering the program further limiting the pool of potential developers and tax credit developments generally. I recommend that the Experience Certification requirements set forth in the 2010 QAP be reinstated.

- 49.9(a)(2) – Quantifiable Community Participation. These points provided to an applicant that receives support from a Neighborhood Organization (NO) were diluted in the 2011 draft since now an applicant can receive 18 points for a neutral score (no support or opposition) in this scoring category. Since the applicant with a neutral score can additionally received 6 points under 49.9(a)(11) (Community Input other than Quantifiable Community Participation) for a total of 24 points the result is that the support of a NO carries no greater weight then a NO that takes no position. If a NO has made the effort to follow the procedures and go on record in support of a development within its boundary then these supported applications should be viewed more favorably by the Department with a higher overall score. I recommend that the Board consider reducing a neutral score to 12 points, and no support of a NO to a score of 0.

- 49.9(a)(7) – Rent Levels of the Units. In order to maximize points in this category and points under 49.9(a)(3) (The Income Levels of Tenants), the applicant would need to structure their deal such that 70% of the units are targeted to income levels at 50% or less of the AMGI.

  While the intent to encourage deep rent targeting is commendable, the reality is that in most non- Major Metropolitan Areas (MMAs) with lower starting rent levels, you cannot make the economics of the deal work with these percentages. For example, in Region 11 the rental income based on the above scenario would not support reasonable operating costs. Recognizing that only 1 or 2 deals are awarded in each sub-category of most Regions based on current tax credit pricing, this change would effectively mean that only active housing authorities or developers that team up with active housing authorities that could apply housing voucher to support the income and/or operating expenses could compete in the program in several non-MMA Regions. There are many municipalities that want to provide housing for a larger percentage of moderate income earners available through this program and retain the developments on their tax rolls. Additionally, syndicators are reluctant to structure awarded housing authority developments with HAP vouchers as a source of funding because of the uncertainty of the higher level of income projected in the proforma if the HUD appropriation to the housing authority changes or is unfunded.

  Development of elderly housing in particular with only 1 and 2 bedroom types, which are usually weighted in favor of one bedroom units, would be infeasible without housing authority participation. I recommend that at a minimum the Board consider reinstating the scoring requirements in Sections 49.9(a)(3) and (7) of the 2010 QAP for all development sites located in a county with a population of less than 1,000,000.

- 499(a)(8) – Costs of the Development by Square Foot. Please see the attached memo to the Department regarding proposed changes to the QAP that addresses the increased cost burden associated with Adaptive Reuse developments for the Board's consideration.

- 49.9(a)(13) – Community Revitalization, Historic Preservation or Rehabilitation. The Department eliminated a category of points given exclusively to applications proposing Rehabilitation (including Reconstruction) and Adaptive Reuse. The Department should continue to incentivize these types of redevelopment activities with points not otherwise available to New Construction regardless of whether the site is part of a Community Revitalization Plan or the development proposed to use a historic building. There is a strong focus in a lot of communities, particularly in the larger markets, on rehabilitating and reconstructing existing housing, and preserving nonresidential buildings (including Historic) by converting such buildings into housing. These are much needed and desired redevelopment activities that the Department should continue to encourage and support with points.

- Intergenerational Housing has been removed as a housing type from the QAP. I recognize that both the Board and Staff have been struggling with fair housing issues related to this type of housing but I respectfully request that the Board reconsider removing this development option from consideration. Intergenerational Housing is a viable alternative development type that has social benefits to the residents. For example, seniors in the Valley traditionally want to live with or be in close proximity to their families. The inclusion of these age groups in one development will provide this desired living arrangement and support family cohesiveness. It also improves the feasibility of the operations of the senior component and likelihood of providing decent, quality housing to seniors in market areas with low rents such as Region 11. I would very much like to work with Staff to develop a plan for retaining and encouraging Intergenerational Housing as a housing option under the affordable housing program.

I appreciate all of the hard work and effort put into the 2011 QAP by staff and look forward to working with the Department and the Board in addressing these comments and recommendations.

Sincerely,

Donna Rickenbacker

Donna Rickenbacker

Enclosure/

cc: Michael Gerber, Executive Director, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA

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To: Robbye Meyer
Director of Multifamily Finance
Texas Department of Housing and Community Affairs

From: Donna Rickenbacker DLR

Date: August 25, 2010

Subject: Recommended Changes to 2011 QAP

1. I have been consulting with HRI Properties, a Louisiana developer that has been very active in the development of affordable rental housing, particularly redevelopment of non-residential historic building, in multiple states frequently using both low income housing and historic tax credits. HRI is interested in entering the Texas affordable housing arena. The project would be Adaptive Reuse and include converting a historic warehouse into a Section 42 artist lofts development, as is permitted under the general public use requirement of Treasury Regulation 1.42-9, as modified by the Housing and Economic Recovery Act of 2008. In reviewing the terms of the 2010 QAP with regards to a proposed Adaptive Reuse application, I have found that the provisions relating to Adaptive Reuse are unclear and in some instances discourage Adaptive Reuse of historic buildings especially if the intent is to convert such building(s) into affordable artist lofts, an established type of renovation in several other States.

   The Texas QAP does not appear to contemplate the benefits of such a conversion and would specifically disqualify such a project in most circumstances. Adaptive Reuse as affordable lofts would be considered an Ineligible Building Type under Section 50.3(58)(G), which prohibits most types of projects where more than 30% of the total units are one-bedroom units. In most instances, artist lofts by design consists of open-area live-work space, dictating one-bedroom units that are effectively large "efficiency" apartments providing a single space for living, sleeping and for the artist's studio. Additionally, historic or older buildings appropriate for Adaptive Reuse are frequently not large enough to support 3 and 4 bedroom unit types, and the traditional "loft" design means that 2-bedrooms are infrequently used. Given these circumstances, Section 50.3(58)(G) would prohibit this popular form of urban housing and an allowable affordable rental housing type developed very successfully in other States. In order to allow for affordable loft development and encourage Adaptive Reuse of older buildings, please consider the following change to the definition of Ineligible Building Types in Section 50.3(58)(G) of the QAP:

   "(G) Any Development located in an Urban Area involving any New Construction of additional Units (other than Adaptive Reuse, a Qualified Elderly Development, a

Development composed entirely of single family dwellings, and certain specific types of transitional housing for the homeless and Single Room Occupancy units, as provided in §42(i)(3)(B)(iii) and (iv) of the Code) in which any of the designs in clause (i) – (iv) of this subparagraph are proposed........"

2. It is well known that the cost of Adaptive Reuse of a building is more expensive than simply tearing down an existing structure or new construction activity. The QAP acknowledges the benefits and the Department's support of Historic Preservation by providing Selection Criteria points for preserving an historic building through Rehabilitation or Adaptive Reuse. However, the additional costs burden of Adaptive Reuse is not recognized in Section 50.9(i)(8) of the QAP regarding the Costs of the Development by Square Foot (Development Characteristics). The cost per square foot for New Construction is simply not comparable to Adaptive Reuse conversions, due to the number of unexpected construction situations that are encountered in any remodeling job, compounded by the difficulties inherent in conforming to the building's footprint while retrofitting the improvements and providing appropriate-sized units. Adaptive Reuse is also likely to be more expensive than Rehabilitation, because Rehabilitation projects will generally already be appropriately configured with bathrooms and kitchens, whereas Adaptive Reuse projects usually require the new installation of such facilities. Additionally, when historic preservation is involved, Adaptive Reuse incurs additional costs in preserving the historic aspects of the building. In order to encourage the conservation of our heritage through Adaptive Reuse, please consider the following changes to Section 50.9(i)(8) of the QAP:

(a) "....If the proposed Development is <u>an Adaptive Reuse, or</u> a Single Room Occupancy Development, the NRA may include elevator served interior corridors and may include up to 50 square feet of common area per Unit...."

(b) ".....Developments qualify for 10 points if their costs do not exceed $95 per square foot for <u>Adaptive Reuse,</u> Qualified Elderly, single family design, transitional and Single Room Occupancy Developments (transitional housing for the homeless and Single Room Occupancy units as provided in §42(i)(3)(B)(iii) and (iv) of the Code),...."

Thank you for your consideration of these suggested changes in connection with the 2011 QAP. These few revisions will expand affordable rental development through Adaptive Reuse and further encourage historic building preservation in several Texas communities.

cc: Tom Gouris
Teresa Morales
Raquel Morales

# H.R.3221

**Housing and Economic Recovery Act of 2008 (Enrolled as Agreed to or Passed by Both House and Senate)**

## SEC. 3004. OTHER SIMPLIFICATION AND REFORM OF LOW-INCOME HOUSING TAX INCENTIVES.

(a) Repeal Prohibition on Moderate Rehabilitation Assistance- Paragraph (2) of section 42(c) (defining qualified low-income building) is amended by striking the flush sentence at the end.

(b) Modification of Time Limit for Incurring 10 Percent of Project's Cost- Clause (ii) of section 42(h)(1)(E) is amended by striking `(as of the later of the date which is 6 months after the date that the allocation was made or the close of the calendar year in which the allocation is made)' and inserting `(as of the date which is 1 year after the date that the allocation was made)'.

(c) Repeal of Bonding Requirement on Disposition of Building- Paragraph (6) of section 42(j) (relating to no recapture on disposition of building (or interest therein) where bond posted) is amended to read as follows:

`(6) NO RECAPTURE ON DISPOSITION OF BUILDING WHICH CONTINUES IN QUALIFIED USE-

`(A) IN GENERAL- The increase in tax under this subsection shall not apply solely by reason of the disposition of a building (or an interest therein) if it is reasonably expected that such building will continue to be operated as a qualified low-income building for the remaining compliance period with respect to such building.

`(B) STATUTE OF LIMITATIONS- If a building (or an interest therein) is disposed of during any taxable year and there is any reduction in the qualified basis of such building which results in an increase in tax under this subsection for such taxable or any subsequent taxable year, then--

`(i) the statutory period for the assessment of any deficiency with respect to such increase in tax shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may prescribe) of such reduction in qualified basis, and

`(ii) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.'.

[+] FEEDBACK

(d) Energy Efficiency and Historic Nature Taken Into Account in Making Allocations- Subparagraph (C) of section 42(m)(1) (relating to plans for allocation of credit among projects) is amended by striking `and' at the end of clause (vii), by striking the period at the end of clause (viii) and inserting a comma, and by adding at the end the following new clauses:

`(ix) the energy efficiency of the project, and

`(x) the historic nature of the project.'.

(e) Continued Eligibility for Students Who Received Foster Care Assistance- Clause (i) of section 42(i)(3)(D) is amended by striking `or' at the end of subclause (I), by redesignating subclause (II) as subclause (III), and by inserting after subclause (I) the following new subclause:

`(II) a student who was previously under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or'.

(f) Treatment of Rural Projects- Section 42(i) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

`(8) TREATMENT OF RURAL PROJECTS- For purposes of this section, in the case of any project for residential rental property located in a rural area (as defined in section 520 of the Housing Act of 1949), any income limitation measured by reference to area median gross income shall be measured by reference to the greater of area median gross income or national non-metropolitan median income. The preceding sentence shall not apply with respect to any building if paragraph (1) of section 42(h) does not apply by reason of paragraph (4) thereof to any portion of the credit determined under this section with respect to such building.'.

(g) Clarification of General Public Use Requirement- Subsection (g) of section 42 is amended by adding at the end the following new paragraph:

`(9) CLARIFICATION OF GENERAL PUBLIC USE REQUIREMENT- A project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants--

`(A) with special needs,

`(B) who are members of a specified group under a Federal program or State program or policy that supports housing for such a specified group, or

`(C) who are involved in artistic or literary activities.'.

(h) GAO Study Regarding Modifications to Low-Income Housing Tax Credit- Not later than December 31, 2012, the Comptroller General of the United States shall submit to Congress a report which analyzes the implementation of the modifications made by this subtitle to the low-income housing tax credit under section 42 of the Internal Revenue Code of 1986. Such report shall include an analysis of the distribution of credit allocations before and after the effective date of such modifications.

(i) Effective Date-

(1) IN GENERAL- Except as otherwise provided in this subsection, the amendments made by this section shall apply to buildings placed in service after the date of the enactment of this Act.

(2) REPEAL OF BONDING REQUIREMENT ON DISPOSITION OF BUILDING- The amendment made by subsection (c) shall apply to--

(A) interests in buildings disposed after the date of the enactment of this Act, and

(B) interests in buildings disposed of on or before such date if--

(i) it is reasonably expected that such building will continue to be operated as a qualified low-income building (within the meaning of section 42 of the Internal Revenue Code of 1986) for the remaining compliance period (within the meaning of such section) with respect to such building, and

(ii) the taxpayer elects the application of this subparagraph with respect to such disposition.

(3) ENERGY EFFICIENCY AND HISTORIC NATURE TAKEN INTO ACCOUNT IN MAKING ALLOCATIONS- The amendments made by subsection (d) shall apply to allocations made after December 31, 2008.

(4) CONTINUED ELIGIBILITY FOR STUDENTS WHO RECEIVED FOSTER CARE ASSISTANCE- The amendments made by subsection (e) shall apply to determinations made after the date of the enactment of this Act.

(5) TREATMENT OF RURAL PROJECTS- The amendment made by subsection (f) shall apply to determinations made after the date of the enactment of this Act.

(6) CLARIFICATION OF GENERAL PUBLIC USE REQUIREMENT- The amendment made by subsection (g) shall apply to buildings placed in service before, on, or after the date of the enactment of this Act.

### SEC. 3005. TREATMENT OF MILITARY BASIC PAY.

(a) In General- Subparagraph (B) of section 142(d)(2) (relating to income of individuals; area median gross income) is amended--

(1) by striking `The income' and inserting the following:

`(i) IN GENERAL- The income', and

(2) by adding at the end the following:

`(ii) SPECIAL RULE RELATING TO BASIC HOUSING ALLOWANCES- For purposes of determining income under this subparagraph, payments under section 403 of title 37, United States Code, as a basic pay allowance for housing shall be disregarded with respect to any qualified building.

`(iii) QUALIFIED BUILDING- For purposes of clause (ii), the term `qualified building' means any building located--

`(I) in any county in which is located a qualified military installation to which the number of members of the Armed Forces of the United States assigned to units based out of such qualified military installation, as of June 1, 2008, has increased by not less than 20 percent, as compared to such number on December 31, 2005, or

`(II) in any county adjacent to a county described in subclause (I).

`(iv) QUALIFIED MILITARY INSTALLATION- For purposes of clause (iii), the term `qualified military installation' means any military installation or facility the number of members of the Armed Forces of the United States assigned to which, as of June 1, 2008, is not less than 1,000.'.

(b) Effective Date- The amendments made by this section shall apply to--

(1) determinations made after the date of the enactment of this Act and before January 1, 2012, in the case of any qualified building (as defined in section 142(d)(2)(B)(iii) of the Internal Revenue Code of 1986)--

(A) with respect to which housing credit dollar amounts have been allocated on or before the date of the enactment of this Act, or

(B) with respect to buildings placed in service before such date of enactment, to the extent paragraph (1) of section 42(h) of such Code does not apply to such building by reason of paragraph (4) thereof, but only with respect to bonds issued before such date of enactment, and

(2) determinations made after the date of enactment of this Act, in the case of qualified buildings (as so defined)--

(A) with respect to which housing credit dollar amounts are allocated after the date of the enactment of this Act and before January 1, 2012, or

(B) with respect to which buildings placed in service after the date of enactment of this Act and before January 1, 2012, to the extent paragraph (1) of section 42(h) of such Code does not apply to such building by reason of paragraph (4) thereof, but only with respect to bonds issued after such date of enactment and before January 1, 2012.

## *PART II--MODIFICATIONS TO TAX-EXEMPT HOUSING BOND RULES*

### SEC. 3007. RECYCLING OF TAX-EXEMPT DEBT FOR FINANCING RESIDENTIAL RENTAL PROJECTS.

(a) In General- Subsection (i) of section 146 (relating to treatment of refunding issues) is amended by adding at the end the following new paragraph:

`(6) TREATMENT OF CERTAIN RESIDENTIAL RENTAL PROJECT BONDS AS REFUNDING BONDS IRRESPECTIVE OF OBLIGOR-

`(A) IN GENERAL- If, during the 6-month period beginning on the date of a repayment of a loan financed by an issue 95 percent or more of the net proceeds of which are used to provide projects described in section 142(d), such repayment is used to provide a new loan for any project so described, any bond which is issued to refinance such issue shall be treated as a refunding issue to the extent the principal amount of such refunding issue does not exceed the principal amount of the bonds refunded.

`(B) LIMITATIONS- Subparagraph (A) shall apply to only one refunding of the original issue and only if--

`(i) the refunding issue is issued not later than 4 years after the date on which the original issue was issued,

`(ii) the latest maturity date of any bond of the refunding issue is not later than 34 years after the date on which the refunded bond was issued, and

`(iii) the refunding issue is approved in accordance with section 147(f) before the issuance of the refunding issue.'.

(b) Low-Income Housing Credit- Clause (ii) of section 42(h)(4)(A) is amended by inserting `or such financing is refunded as described in section 146(i)(6)' before the period at the end.

(c) Effective Date- The amendments made by this section shall apply to repayments of loans received after the date of the enactment of this Act.

### SEC. 3008. COORDINATION OF CERTAIN RULES APPLICABLE TO LOW-INCOME HOUSING CREDIT AND QUALIFIED RESIDENTIAL RENTAL PROJECT EXEMPT FACILITY BONDS.

(a) Determination of Next Available Unit- Paragraph (3) of section 142(d) (relating to current income determinations) is amended by adding at the end the following new subparagraph:

`(C) EXCEPTION FOR PROJECTS WITH RESPECT TO WHICH AFFORDABLE HOUSING CREDIT IS ALLOWED- In the case of a project with respect to which credit is allowed under section 42, the second sentence of subparagraph (B) shall be applied by substituting `building (within the meaning of section 42)' for `project'.'.

(b) Students- Paragraph (2) of section 142(d) (relating to definitions and special rules) is amended by adding at the end the following new subparagraph:

`(C) STUDENTS- Rules similar to the rules of 42(i)(3)(D) shall apply for purposes of this subsection.'.

(c) Single-Room Occupancy Units- Paragraph (2) of section 142(d) (relating to definitions and special rules), as amended by subsection (b), is amended by adding at the end the following new subparagraph:

`(D) SINGLE-ROOM OCCUPANCY UNITS- A unit shall not fail to be treated as a residential unit merely because such unit is a single-room occupancy unit (within the meaning of section 42).'.

(d) Effective Date- The amendments made by this section shall apply to determinations of the status of qualified residential rental projects for periods beginning after the date of the enactment of this Act, with respect to bonds issued before, on, or after such date.

## *PART III--REFORMS RELATED TO THE LOW-INCOME HOUSING CREDIT AND TAX-EXEMPT HOUSING BONDS*

### SEC. 3009. HOLD HARMLESS FOR REDUCTIONS IN AREA MEDIAN GROSS INCOME.

(a) In General- Paragraph (2) of section 142(d), as amended by section 3008, is amended by adding at the end the following new subparagraph:

`(E) HOLD HARMLESS FOR REDUCTIONS IN AREA MEDIAN GROSS INCOME-

`(i) IN GENERAL- Any determination of area median gross income under subparagraph (B) with respect to any project for any calendar year after 2008 shall not be less than the area median gross income determined under such subparagraph with respect to such project for the calendar year preceding the calendar year for which such determination is made.

`(ii) SPECIAL RULE FOR CERTAIN CENSUS CHANGES- In the case of a HUD hold harmless impacted project, the area median gross income with respect to such project for any calendar year after 2008 (hereafter in this clause referred to as the current calendar year) shall be the greater of the amount determined without regard to this clause or the sum of--

`(I) the area median gross income determined under the HUD hold harmless policy with respect to such project for calendar year 2008, plus

`(II) any increase in the area median gross income determined under subparagraph (B) (determined without regard to the HUD hold harmless policy and this subparagraph) with respect to such project for the current calendar year over the area median gross income (as so determined) with respect to such project for calendar year 2008.

`(iii) HUD HOLD HARMLESS POLICY- The term `HUD hold harmless policy' means the regulations under which a policy similar to the rules of clause (i) applied to prevent a change in the method of determining area median gross income from resulting in a reduction in the area median gross income determined with respect to certain projects in calendar years 2007 and 2008.

`(iv) HUD HOLD HARMLESS IMPACTED PROJECT- The term `HUD hold harmless impacted project' means any project with respect to which area median gross income was determined under subparagraph (B) for calendar year 2007 or 2008 if such determination would have been less but for the HUD hold harmless policy.'.

(b) Effective Date- The amendment made by this section shall apply to determinations of area median gross income for calendar years after 2008.

**SEC. 3010. EXCEPTION TO ANNUAL CURRENT INCOME DETERMINATION REQUIREMENT WHERE DETERMINATION NOT RELEVANT.**

(a) In General- Subparagraph (A) of section 142(d)(3) is amended by adding at the end the following new sentence: `The preceding sentence shall not apply with respect to any project for any year if during such year no residential unit in the project is occupied by a new resident whose income exceeds the applicable income limit.'.

(b) Effective Date- The amendment made by this section shall apply to years ending after the date of the enactment of this Act.

**Subtitle B--Single Family Housing**

**SEC. 3011. FIRST-TIME HOMEBUYER CREDIT.**

(a) In General- Subpart C of part IV of subchapter A of chapter 1 is amended by redesignating section 36 as section 37 and by inserting after section 35 the following new section:

**`SEC. 36. FIRST-TIME HOMEBUYER CREDIT.**

`(a) Allowance of Credit- In the case of an individual who is a first-time homebuyer of a principal residence in the United States during a taxable year, there shall be allowed as a credit against the tax imposed by this subtitle for such taxable year an amount equal to 10 percent of the purchase price of the residence.

`(b) Limitations-

`(1) DOLLAR LIMITATION-

`(A) IN GENERAL- Except as otherwise provided in this paragraph, the credit allowed under subsection (a) shall not exceed $7,500.

`(B) MARRIED INDIVIDUALS FILING SEPARATELY- In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting `$3,750' for `$7,500'.

`(C) OTHER INDIVIDUALS- If two or more individuals who are not married purchase a principal residence, the amount of the credit allowed under subsection (a) shall be allocated among such individuals in such manner as the Secretary may prescribe, except that the total amount of the credits allowed to all such individuals shall not exceed $7,500.

`(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME-

`(A) IN GENERAL- The amount allowable as a credit under subsection (a) (determined without regard to this paragraph) for the taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which is so allowable as--

`(i) the excess (if any) of--

`(I) the taxpayer's modified adjusted gross income for such taxable year, over

`(II) $75,000 ($150,000 in the case of a joint return), bears to

`(ii) $20,000.

`(B) MODIFIED ADJUSTED GROSS INCOME- For purposes of subparagraph (A), the term `modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

`(c) Definitions- For purposes of this section--

`(1) FIRST-TIME HOMEBUYER- The term `first-time homebuyer' means any individual if such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence during the 3-year period ending on the date of the purchase of the principal residence to which this section applies.

`(2) PRINCIPAL RESIDENCE- The term `principal residence' has the same meaning as when used in section 121.

`(3) PURCHASE-

`(A) IN GENERAL- The term `purchase' means any acquisition, but only if--

`(i) the property is not acquired from a person related to the person acquiring such property, and

`(ii) the basis of the property in the hands of the person acquiring such property is not determined--

`(I) in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

`(II) under section 1014(a) (relating to property acquired from a decedent).

`(B) CONSTRUCTION- A residence which is constructed by the taxpayer shall be treated as purchased by the taxpayer on the date the taxpayer first occupies such residence.

`(4) PURCHASE PRICE- The term `purchase price' means the adjusted basis of the principal residence on the date such residence is purchased.

`(5) RELATED PERSONS- A person shall be treated as related to another person if the relationship between such persons would result in the disallowance of losses under section 267 or 707(b) (but, in applying section 267(b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants).

`(d) Exceptions- No credit under subsection (a) shall be allowed to any taxpayer for any taxable year with respect to the purchase of a residence if--

`(1) a credit under section 1400C (relating to first-time homebuyer in the District of Columbia) is allowable to the taxpayer (or the taxpayer's spouse) for such taxable year or any prior taxable year,

`(2) the residence is financed by the proceeds of a qualified mortgage issue the interest on which is exempt from tax under section 103,

`(3) the taxpayer is a nonresident alien, or

`(4) the taxpayer disposes of such residence (or such residence ceases to be the principal residence of the taxpayer (and, if married, the taxpayer's spouse)) before the close of such taxable year.

`(e) Reporting- If the Secretary requires information reporting under section 6045 by a person described in subsection (e)(2) thereof to verify the eligibility of taxpayers for the credit allowable by this section, the exception provided by section 6045(e) shall not apply.

`(f) Recapture of Credit-

`(1) IN GENERAL- Except as otherwise provided in this subsection, if a credit under subsection (a) is allowed to a taxpayer, the tax imposed by this chapter shall be increased by 6 2/3 percent of the amount of such credit for each taxable year in the recapture period.

`(2) ACCELERATION OF RECAPTURE- If a taxpayer disposes of the principal residence with respect to which a credit was allowed under subsection (a) (or such residence ceases to be the principal residence of the taxpayer (and, if married, the taxpayer's spouse)) before the end of the recapture period--

`(A) the tax imposed by this chapter for the taxable year of such disposition or cessation shall be increased by the excess of the amount of the credit allowed over the amounts of tax imposed by paragraph (1) for preceding taxable years, and

`(B) paragraph (1) shall not apply with respect to such credit for such taxable year or any subsequent taxable year.

`(3) LIMITATION BASED ON GAIN- In the case of the sale of the principal residence to a person who is not related to the taxpayer, the increase in tax determined under paragraph (2) shall not exceed the amount of gain (if any) on such sale.

# Comment #4

# Hal Fairbanks, HRI Properties

# HRI Properties

RECEIVED
OCT 11 2010
EXECUTIVE DIRECTOR

October 8, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Dear Chair Conine and TCHCA Board:

I am writing to request your consideration of comments regarding the draft 2011 Qualified Allocation Plan ("QAP"). Enclosed herewith please find a copy of correspondence to you and attached memo to the Department staff from Ms. Donna Rickenbacker with Marque Real Estate Consultants regarding the same.

I represent HRI Properties, one of the country's premier public/private partnership urban redevelopment companies. HRI Properties has extensive experience in developing affordable and mixed-income housing in urban areas through infill new construction, adaptive re-use projects and rehabilitation of existing housing developments. These projects have been financed with LIHTC and in many cases both LIHTC and Historic Tax Credits ("HTC"). Please know that HRI Properties supports the changes to the QAP recommended by Ms. Rickenbacker with respect to Adaptive Reuse Developments. Additionally, we would like to propose two additional changes for your consideration.

In her memo to the Department staff, Ms. Rickenbacker states, "The QAP acknowledges the benefits and the Department's support of Historic Preservation by providing Selection Criteria points for preserving an historic building through Rehabilitation of Adaptive Reuse. However, the additional costs burden of Adaptive Reuse is not recognized in Section 50.9(i)(8) of the QAP regarding the Costs of the Development by Square Foot (Development Characteristics). The cost per square foot for New Construction is simply not comparable to Adaptive Reuse conversions." We think it is important for the Board to acknowledge in its finalization of the QAP that Historic Preservation projects involving adaptive reuse or rehabilitation will cost more than comparable adaptive reuse or rehabilitation projects that do not meet the Secretary of Interior's Standards for Historic Rehabilitation as required to claim federal HTC. However, it should also be recognized that by complying with the Standards and claiming HTC, a developer can bring additional funding to the table to finance these additional costs. In fact, pursuant to federal tax law, an owner who claims both LIHTC and HTC is required to reduce its basis for calculation of the LIHTC by the amount of the HTC, thereby reducing and supplanting the LIHTC needed to support a project. Therefore, in recognition of these facts we recommend the following addition to the end of what is now

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Section 49.9(a)(8) "The Cost of the Development by Square Foot" of the 2011 Draft QAP:

*"To the extent that an Historic Preservation project would qualify to receive 10 points for this item, but its construction are higher than the applicable maximum costs required to be eligible for the points, such points will still be awarded if the additional costs above threshold for the points are not included in Development Cost Schedule, but are separately referenced and such costs and related percentage driven costs, will be financed with the proceeds of historic tax credits, and LIHTC are not requested or awarded on such costs."*

The second change we would like to suggest would support work force housing and artist housing, as allowed pursuant to federal law (see attached legislation - section g), in downtown areas. Our experience in developing affordable and mixed-income housing in downtown areas has shown that demand for housing generally stems from young single people, including single parent households, and couples without children or those with children who are not yet school age, as well as from empty nesters - older persons, including qualified elderly residents - whose children are grown and no longer live with them. Consequently in downtown areas we see a high demand for one and to a lesser extent two bedroom units and markedly less demand for three and four bedroom units.

As a result, there is strong demand for affordable housing in downtown areas. By living closer to work, low income individuals can reduce the costs of commuting, allowing some to forgo the costs associated with automobile ownership. However, in many markets downtown housing is highly gentrified, representing the highest per square foot rents in a market and there are very few affordable housing options, despite ample employment opportunities for lower wage earners. Accordingly, we respectfully suggest that all Developments located in areas locally defined as a Central Business District or a Downtown Development District be considered an exception from the definition of Ineligible Developments as it relates to the unit mix of a project under 49.4(C)(8) of the draft 2011 QAP.

Thank you for your consideration of our support for Ms. Rickenbacker's recommended changes and our two additional suggested changes.

Sincerely,

Hal Fairbanks
Vice President
Acquisitions

cc: Michael Gerber, Executive Director, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA
Teresa Morales, TDHCA

Comment #5

Rafael Anchia,

State Representative,

District 103

STATE OF TEXAS
HOUSE OF REPRESENTATIVES
DISTRICT 103

RAFAEL ANCHIA
MEMBER

October 1, 2010

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

**RE: 2011 Qualified Allocation Plan (QAP) Comments**

Dear Mr. Gerber:

As an elected official representing a diverse district in Dallas, I am always looking to create opportunities for qualified individuals from underrepresented communities to do business with the State of Texas. I appreciate your efforts to recognize the importance of diversifying our business base by applying Historically Underutilized Business (HUB) scoring to all TDHCA Housing programs and not just the Housing Tax Credit program in the Qualified Allocation Plan (QAP). However, I believe the existing HUB scoring system could be strengthened further, and am requesting your thoughtful consideration of my comments for the 2011 QAP.

Currently, the QAP provides developers who do not use HUB contractors the ability to achieve the same number of points as a developer who does contract with an HUB by allowing them to demonstrate that a good faith effort has been made to locate and use an HUB. While I recognize that some regions of the state lack HUB contractors, the "good faith effort" provision, in my view, essentially deflates the value of the points awarded for contracting with an HUB. Since all developers in a region compete on a level playing field with the same access to the same resources, the "good faith effort" provision appears to be unnecessary and only serves to inflate scores across the board.

If the agency does have a policy justification for scoring the attempt to use an HUB when none exists (i.e. the process of a developer searching for an HUB has been shown to publicize the program and make it more likely that HUBs will be available for contracting in the future), I would suggest that the developer be scored one point instead of the full two points for developers who work with HUBs.

The weak economy has presented a challenge to all of our state's small businesses, and some HUBs have had as hard time surviving considering the current state of the economy and the practice of "legacy" contracts which has historically marginalized HUBs and made it more

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RAFAEL.ANCHIA@HOUSE.STATE.TX.US

difficult for them to compete. It is our responsibility to ensure fair treatment across the board by creating public policy that creates a level playing field.

I look forward to hearing your thoughts regarding my comments.

Sincerely,

Rafael Anchia
State Representative
District 103

Comment #6

Debra Guerrero

NRP Group

**2011 DRAFT QAP Comments – Debra Guerrero**

**Under General Policy and Procedures Definitions:**

**(44) Reconstruction**--Includes the demolition of one or more residential buildings in an Existing Residential Development and the re-construction of an equal number of Units on the Development Site.

***Is the intent to reconstruct the EXACT same number of units that are being demolished? In many instances neighborhoods and cities would prefer reducing the density of an existing project. The definition should read "the re-construction of an equal number or less of Units…"***

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**Under 2011 QAP:**

(11) Development Sites with negative characteristics in (A) – (G) of this paragraph will be considered ineligible. Rehabilitation (excluding Reconstruction) Developments with ongoing and existing federal assistance from HUD or TDRO-USDA are exempt. For purposes of this exhibit, the term 'adjacent' is interpreted as sharing a boundary with the Development Site. The distances are to be measured from all boundaries of the Development Site to all boundaries of the property containing the negative characteristic. If none of these negative features exist, the Applicant must sign a certification to that effect. The negative characteristics include:

(A) Developments located adjacent to or within 300 feet of junkyards;
(B) Developments located adjacent to or within 300 feet of active railroad tracks, unless the Applicant provides evidence that the city/community has adopted a Railroad Quiet Zone or the railroad in question is commuter or light rail; (Rural Developments funded through TRDO-USDA are exempt);
(C) Developments located adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants, refinery blast zones, etc.;
(D) Developments located adjacent to or within 300 feet of a solid waste or sanitary landfills;
(E) Developments where the buildings are located within the "fall line" of high voltage transmission power lines;
(F) Developments where the buildings are located within the accident zones or clear zones for commercial or military airports; or
(G) Development is proposed to be located adjacent to or within 300 feet of a sexually-oriented business. For purposes of this paragraph, a sexually-oriented business shall be defined as stated in §243.002 of the Texas Government Code; *[Item (11) above inserted from "Negative Site Features"]*

***The placement of negative features into the section regarding ineligible developments is in direct conflict with opportunities to redevelop in the inner city and highly urban areas. The negative site features should remain as a reduction in point system NOT an all out prohibition to use HTC for construction.***

---

(b~~d~~) **Credit Amount**. (§2306.6711(b)) ~~The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the affordability period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim Housing Tax Credits.~~ An Applicant may not request more than $2 million in annual tax credits for any given Application. The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party, Affiliate or Guarantor (unless the Guarantor is also exclusively the General Contractor).~~;~~ Tax-Exempt Bond Development Applications are not subject to this limitation and Tax-Exempt Bond Development Applications will not count towards the total limit on tax credits per Applicant. Competitive Housing Tax Credits approved by the Board during the 2011~~2010~~ calendar year, including commitments from the 2011~~2010~~ Credit Ceiling and forward commitments from the 2011~~2010~~ Credit Ceiling, are applied to the credit cap limitation for the 2012~~2010~~ Application Round. In order to evaluate this $2 million limitation, ~~N~~nonprofit entities, public housing authorities, publicly traded corporations, individual board members, and executive directors must provide the documentation required in the Application with regard to this requirement. All entities that share a Principal are Affiliates. For purposes of determining the $2 million limitation of tax credits, a Person is not deemed to be an Affiliate solely because it:

(A)Raises or provides equity;

(B)Provides "qualified commercial financing";

(C)Is a Qualified Nonprofit Organization or other not-for-profit entity that is providing solely loan funds, grant funds or social services;

(D)Receives fees as a Development Consultant or Developer that do not exceed 10% of the Developer Fee (or 20% for Qualified Nonprofit Developments) to be paid or $150,000, whichever is greater; or

(E)Provides or supports the Applicant's financial capacity for the proposed Development. ~~In order to encourage the capacity enhancement of Developers with less capacity the Department~~

***Please clarify. The cap will not be applied to a Guarantor who is exclusively the General Contractor even if the same entity or affiliate also serves as the Development Consultant and receives the fee allowed under the QAP.***

---

(4) For Applications that are proposing an additional phase to an existing tax credit Development; that are otherwise adjacent to an existing tax credit Development; or that are proposing a Development on a contiguous site to another Application awarded in the same program year, the combined Unit total for the existing and proposed Developments may not exceed the maximum allowable Development size set forth in this subsection unless:

(A) the first phase of the Development has been completed and has maintained ~~attained Sustaining O~~occupancy ~~(as defined in §1.31 of this title)~~ of at least 90% for ~~at least~~ a minimum six (6) month~~s~~ period as reflected in the submitted rent roll; or

(B) a resolution from the Governing Body of the city or county, in which the proposed Development is located, dated no more than one (1) year old ~~on or before~~ from the date the Application is submitted.~~, is submitted with the Application.~~ Such resolution must state that there is a need for additional Units and that the Governing Body has reviewed a market study, the conclusion of which supports the need for additional Units. The resolution must be submitted to the Department by the Resolution Delivery Date as indicated in §49.3 of this chapter (relating to the Program Calendar); or

(C) the proposed Development is intended to provide replacement of previously existing affordable Units on the Development Site or that were originally located within a one mile radius from the Development Site; provided, however, the combined number of Units in the proposed Development may not exceed the number of Units being replaced. Documentation of such replacement units must be provided.

***The Section above refers to a Resolution Delivery Date as indicated in the Program Calendar; however I do not see a date specified. To prevent any confusion the suggestion would be to have the resolution due on the same date as all of the other resolutions- April 1, 2011.***

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***Threshold amenities' points with regards to scattered sites, has proven to be quite challenging because of the requirement that each site have the amenity on site in order to receive the required points. An allowance should be made for example if a DOG PARK is built and located on one of the sites included in the scattered site grouping and is available for use by all of the scattered site properties then each site should be allowed to claim the 2 points toward the threshold requirement.***

# Comment #7

Diana McIver

TAAHP

TAAHP
TEXAS AFFILIATION OF AFFORDABLE HOUSING PROVIDERS | 221 E. 9th street, ste. 408 | Austin, TX 78701
tel 512.476.9901 fax 512.476.9903 taahp.org texashousingconference.org



October 15, 2010

Michael Gerber
Executive Director
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Mr. Gerber:

On behalf of the Texas Affiliation of Affordable Housing Providers (TAAHP), I am pleased to submit several recommendations for modifications to the 2011 Qualified Allocation Plan and the Title 10 Definitions that are being suggested by our membership. As you know, TAAHP's more than 200 members include affordable housing professionals active in the development, ownership, and management of affordable housing in the State of Texas.

**Title 10 Definitions:**

**Appropriate Local Official.** This needs to be clarified that if a project is located within an ETJ, but does not have Council Representation, then the appropriate local official would be the County official.

**Unit of General Local Government.** This definition needs to be clarified to include language that a Unit of General Local Government may act through a Government Instrumentality.

**Government Instrumentality.** We request that this read " A legal entity ***such as a housing authority of a city or county, a housing finance corporation, or a municipal utility, or a tribal designated housing entity*** which is created by a Unit of Local Government . . . .

***Total Housing Development Cost.*** We request that this be clarified to ensure that lease up costs until "Breakeven" and required operating reserves are included as part of the THDC.

**2011 QAP Draft:**

**§49.5(b) Credit Amount (Page 24 of 106).**
Language was added to the 2011Draft QAP for the purpose of clarifying when the $2 Million Cap would be applied to a Guarantor. As structured, this language appears to have conflicting definitions relating to a Guarantor. To provide further clarification that the Department intended for the new language to apply the $2 Million Cap to Principals who have **control** over the development, we recommend the following language:

*The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party, Affiliate, or Guarantor (unless the Guarantor is ~~also exclusively the Contractor, or is~~ not a Principal of the Development Owner.)*

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This change will eliminate the ambiguity caused by reading this clause in conjunction with newly added paragraph (E) which provides that a Person is not deemed an Affiliate (and therefore subject to the $2 Million Cap) simply because the person "provides or supports the Applicant's financial capacity for the proposed development."

The reference to a Contractor could be left in, but by definition a Contractor who is "exclusively the contractor" is not a Principal.

Additionally, TAAHP recommends reinstatement of the proration of the $2 Million Cap among Joint Venture Partners. We are concerned that the 2011 QAP draft removes any proration of the $2 million cap as it relates to Capacity Building Joint Ventures between inexperienced and experienced development partners, severely limiting the ability of inexperienced developers to participate in the Tax Credit program.

**<u>§49.9(a)(2) Quantifiable Community Participation. (Page 61 of 106)</u> Modify the Scoring for Quantifiable Community Participation to create a separate scoring item in instances where the Applicant can provide supporting documentation that no neighborhood association exists that includes the subject site.**

TAAHP submitted a recommendation that would have removed one of the greatest inequities in the Tax Credit program – that where an applicant is proposing to locate housing in an area that does not have an existing neighborhood association. Under the initial TAAHP recommendation, we suggested adding a new category that allowed this particular situation to be eligible ***for more points*** that the situation where a neighborhood association exists (but is neutral), but ***fewer points*** than where a neighborhood association exists AND supports the project. Although this was initially rejected by the Board, we believe that it is consistent with recent recommendations of the Sunset Committee and thus, our continued request for this change

This is the TAAHP recommendation:

Modify scoring to:

- 0: Letter of opposition
- 12: Neighborhood organization exists but is neutral
- ***18: Neighborhood organization does NOT exist (new)***
- 24: Neighborhood organization exists and supports

*Both the 12 point and 18 point categories are eligible for the additional 6 points for community letters of support.*

**<u>§49.9(a)(5) Commitment of Funding from Local Political Subdivision. (Page 65 of 106)</u> Reduce Level of Funding for LPS Funding.**

TAAHP appreciates the Staff accepting the TAAHP recommendation to simplify the scoring for funding from Local Political Subdivisions by using a per unit calculation rather than a percentage of total dollar cost. However, we are concerned about the use of new terminology – Unit of General Local Government – rather than the terminology of the statute, Local Political Subdivision. As a result, we have suggested changes to these definitions, as indicated earlier in this letter.

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Additionally, we believe that in this current economic climate where cities and local governments have severe budget issues, it is not reasonable to demand that communities put scarce resources into affordable housing when, in fact, the project may be feasible without such additional funding. We have reviewed the TDHCA recommendations, and feel the following amounts represent a compromise to funding levels, as follows:

> *(i) A total contribution of at least $500 (or $250 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 12 points;*
> *(ii) A total contribution of $1,500 (or $750 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 15 points;*
> *(iii) A total contribution equal to or greater than $2,500 (or $1,250 for Rural Developments or Developments located in non-participating jurisdictions) per unit receives 18 points.*

**§49.5 (d) Developments Proposing to Qualify for a 30% Increase in Eligible Basis. TAAHP recommends that Location in an Exemplary or Recognized School Attendance Zone be continued as eligible categories for qualifying for the 30% credit boost.**

**§49.9 (a)(14) Pre-application Points (Page 71 of 106). TAAHP recommends a modification to the new language requiring that all of the principals at pre-application stage are those that are involved at application stage**. Frequently, a development team is not assembled at the pre-application stage and the language suggested by TAAHP would ensure a transition between pre-app and application of at least one of the parties, but not necessarily the entire team.

> (14)(C) Include, as part of this exhibit, a certification signed by at least one of the Principals or Authorized Agents that signed the site option at pre-application confirming that they are involved as the owner, developer, contractor or consultant on the project at Application stage.

**§49.9 (a)(16) Development Location. (Page 73 of 106)** Under C, we request that these points for locating housing outside of high poverty areas be allowed for senior housing as well as family housing. This is an important value and should not be limited to housing for families.

**§49.13 (b) Amendment of Application Subsequent to Allocation by Board**. Language has been inserted in the Draft 2011 QAP to require all amendment requests be accompanied by a "proposed form of amendment prepared at the Applicant's sole expense by an attorney licensed to practice law in the State of Texas". Many amendments are very simple amendments such as an adjustment in the number of parking spaces or a substitution of amenities and the applicant should not be expected to incur unnecessary legal costs associated with these, when already a $2,500 application fee is charged.

Currently most amendments are prepared by the Applicant, the requirement that an amendment must include a form prepared by an attorney is onerous and will add time and cost to the process TAAHP is opposed to this new requirement.

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**§49.4 (a) Ineligible Applicants.** Under paragraph (9), TDHCA is requiring a case-by-case review of Applicants who have been voluntarily or involuntarily removed by a lender or equity provider. In order to provide a more "date certain" time frame, TAAHP recommends that this be amended to read "removed by a lender, equity provider, or any other owners or investors, ***during the previous five (5) years . . . .*** "

TAAHP also recommends that this be clarified to apply only to situations where the person was acting as a Principal in the transaction where the removal occurred and that the transaction involved residential real estate. We believe that to be the Department's intent but the language is somewhat vague.

On behalf of the TAAHP membership, I appreciate your consideration of these comments. Should any additional information or clarification be needed, please do not hesitate to call.

Sincerely,

Diana McIver
Chair, TAAHP 2011 QAP Working Group

Enclosures:

Cc: Michael Gerber, Executive Director, TDHCA
Tim Irvine, Chief of Staff, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA
Teresa Morales, TDHCA
Dan Markson, President, TAAHP
Toni Jackson, President Elect, TAAHP
Jim Brown, Executive Director, TAAHP
TAAHP 2011 Working Group Members
Sarah Anderson
Barry Kahn
George Littlejohn
Justin MacDonald
Scott Marks

# Comment #8

Ben E. Brewer III

Downtown Alliance San Antonio

DOWN TOWN ALLIANCE SAN ANTONIO

October 15, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Dear Chair Conine and TDHCA Board:

I am writing in support of Mr. Hal Fairbanks' comments regarding the 2011 Qualified Allocation Plan. A copy of his correspondence to you is attached.

Downtown Alliance San Antonio is very interested in seeing that affordable and mixed-income housing is developed and available in the downtown and center city area we represent and that developers working to locate affordable and/or mixed-income housing in San Antonio's downtown area are not disadvantaged in TDHCA's allocation process. Downtown land and existing building prices are generally higher than in surrounding areas. Providing necessary parking without passing through additional charges to LIHTC renters is difficult for developers. Therefore it is essential for developers to be able to adjust the unit mix of their planned developments to match the market demand that is unique to downtown areas. Typically downtowns attract young people just entering the work force and more experienced, empty nesters whose household compositions give them the flexibility to locate close to work and experience the excitement and vitality that downtown living offers. Developers of market rate housing in the downtown area typically design to a unit mix of up to 70% one bedroom units. In terms of their housing choices, lower income households desire the same location as market rate households, but find themselves priced out of the market in the downtown area. In a downtown area like San Antonio's, this leads to a scarcity of affordable housing options in general, and in particular a lack affordable work force and elderly housing relative to existing demand.

Downtown San Antonio is known for its historic buildings, most notably the Alamo. It is important for us to build upon this unique heritage by returning vacant and under-utilized buildings to commerce whenever possible and by encouraging developers to preserve historic buildings according to the U.S. Secretary of Interior's Standards. Historic preservation of these structures generally involves higher costs than other adaptive re-use projects.

The federal government recognizes that developers should be encouraged to incur these higher costs and has created the Historic Tax Credit program to help defray these higher costs and incentivize historic preservation. The TDHCA should work in concert with this program, and as long as higher costs associated with preservation are paid for with proceeds from federal Historic Tax Credits, developers of affordable housing should not be penalized by the TDHCA's allocation process.

Neighborhoods change over time. Many buildings located in the light industrial and warehousing areas on the periphery of downtown have been converted into housing, which has transformed these areas into vibrant, blossoming residential neighborhoods. Adaptive reuse projects have a certain appeal in the market place and loft apartments have created new housing opportunities for households that desire to locate in or near downtown. Lower income households should not be shut out of these trends. More flexible rules that would allow affordable and mixed income housing to be located in these "cool" emerging neighborhoods through adaptive re-use of existing building would complement the efforts of Downtown Alliance San Antonio to encourage the development of center city housing and attract a diverse residential population.

In short, Downtown Alliance San Antonio supports the changes to the 2011 QAP requested by Mr. Fairbanks and Ms. Rickenbacker, which would allow developers to adjust their unit mix to the unique demand demographic for downtown housing, encourage historic preservation projects, and facilitate adaptive re-use affordable and mixed-income projects in emerging residential neighborhoods.

Thank you for your consideration of our comments.

Yours for better Texas downtowns,

Ben E. Brewer III
President

cc: Michael Gerber, Executive Director, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA
Teresa Morales, TDHCA
Pat DiGiovanni, Deputy City Manager - City of San Antonio

# Comment #9

# Barry Kahn

# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## 2010 STATE OF TEXAS CONSOLIDATED

## PUBLIC HEARING

12:35 p.m.
Friday,
October 1, 2010

City Hall Chambers Annex
901 Bagby
Houston, Texas

BEFORE:

ELIZABETH YEVICH, Manager, Housing Resource Ctr

# I N D E X

P R O C E E D I N G S

MS. YEVICH: Good morning -- good afternoon. Welcome to the 2010 State of Texas Consolidated Public Hearing in Houston. These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, Texas Department of Rural Affairs, and Texas Department of State Health Services annual policy, rule, and planning documents.

All documents under review are available at www.tdhca.state.tx.us/hearings.

If you have not already done so, please take this opportunity to silence any cell phones.

For anyone interested in speaking, we will need you to fill out a witness affirmation form, located at the table, and please note the topic you wish to discuss. As you speak, please provide your name and who you represent.

As a reminder, we are here to accept public comment and will not be able to respond to questions about the rules or documents.

The comment period for the plan, the Affordable Housing Needs Score Methodology, and the Regional Allocation Formula Methodology, is September 17 through October 18.

The comment period for the rules is September 24 through October 23, 2010. Written comment is encouraged and may be provided at any time during the public comment period. Public comment on the rules may also be provided in writing via mail to Texas Department of Housing and

Community Affairs, 2011 Rule Comments, PO Box 13941, Austin, Texas 78711-3941, or they may be faxed to area code 512-475-9606, or e-mailed to tdhcarulecomments@tdhca.state.tx.us.

Additionally, public comment on the plan, the Affordable Housing Needs Score Methodology, and the Regional Allocation Formula Methodology may be provided in writing via mail to Elizabeth Yevich, at TDHCA, with the address being PO Box 13941, Austin, Texas 78711, or faxed to area code 512-475-1672, or e-mailed to elizabeth.yevich@tdhca.state.tx.us.

We'll begin with the 2011 State of Texas Consolidated Plan One-Year Action Plan Draft. TDHCA coordinates the preparation of the 2011 State of Texas Consolidated Plan One-Year Action Plan with the Texas Department of Rural Affairs and the Texas Department of State Health Services.

The plan covers the State's administration of the Community Development Block Grant, known as CDBG, Program, by TDRA, the Texas Department of Rural Affairs; the Housing Opportunities for Persons with AIDS Program, known as HOPWA, by DSHS; and the Emergency Solutions Grants Program, known as ESGP; and the Home Investment Partnership Program by TDHCA.

The plan includes one-year action plans for these four programs: CDBG, HOPWA, ESGP, and HOME, and additional information on meeting underserved needs, fostering and maintaining affordable housing, lead-based paint hazard mitigation, reducing poverty-level households, developing institutional structure, coordination of housing and services, and addressing public housing authorities' needs.

The Community Development Block Grant: Under the Texas CDBG program, assistance is available to nonentitlement general-purpose units of local government, including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the Federal Community Development Block Grant Program.

Assistance is available in six funding categories and two pilot programs under the Texas Community Development Block Grant program, as indicated below. These are listed: Community Development Fund, Texas Capital Fund, Colonia Fund, and under that there's the Colonia Planning and Construction Fund, Colonia Economically Distressed Areas Program legislative set-aside, the Colonia Self-Help Centers legislative set-aside, and the Colonias-to-Cities Initiative Program.

Number 4, there's the Planning and Capacity-Building Fund; 5, Disaster Relief Urgent Need Fund; and 6, the Texas CDBG STEP Fund. Pilot programs follow: Renewable Energy Demonstration Pilot Program and Community Facilities Fund.

Is there anyone here to comment on this section?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Home Investment Partnerships Program.

The Home Investment Partnerships Program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent affordable housing across the state of Texas.

The provide this kind of support to communities, HUD awards an annual allocation of approximately $40 million to TDHCA. Under the HOME program, TDHCA awards funds to applicants for the administration of the following activities: Home Ownership Assistance Program, which provides down payment and closing cost assistance for eligible households. The program is also utilized in a separate contract-for-deed set-aside to assist in the conversion of contract-for-deed arrangements into a warranty deed.

Homeowner Rehabilitation Program provides funds to eligible homeowners for the rehabilitation or reconstruction of single-family homes.

Tenant-Based Rental Assistance Program provides rental subsidies which may include security deposits to eligible tenants for a period of up to 24 months.

The Rental Housing Development Program provides funds to build, acquire, and/or rehabilitate affordable multifamily housing.

In accordance with the HOME final rule, 15 percent of the total HOME allocation is set aside for Community Housing Development Organization eligible activities.

Is there anyone here to comment on the HOME action plan?

(No response.)

MS. YEVICH: Hearing none, we will proceed to the next item, which is the Housing Opportunities for Persons with AIDS Program.

The Texas Department of State Health Services, know as DSHS, addresses the housing needs of people with HIV and AIDS through the

HOPWA program, which provides emergency housing assistance in the form of short-term rent, mortgage, and utility payments to prevent homelessness; provides tenant-based rental assistance, which enables low-income individuals to pay rent and utilities until there is no longer a need or until they are able to secure other housing; provide supportive services, which provides case management, basic telephone assistance, and smoke detectors; and permanent housing placement, which allows assistance for reasonable security deposits, related application fees, and credit checks.

If you have any questions regarding the HOPWA program, please contact Department of State Health Services at area code 512-533-3000.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH:  Hearing none, we will proceed to the next item, which is the Affordable Housing Needs Score.  The Affordable Housing Needs Score is a scoring criteria used to evaluation HOME, Housing Tax Credit, Housing Trust Fund applications.

While not specifically legislated by the state, this score helps address other need-based funding allocation requirements by responding to an IRS Section 42 requirement that the selection criteria used to award the Housing Tax Credit funding must include housing needs characteristics.

And by responding to a State Auditor's Office in Sunset findings, it called for the use of objective need-based criteria to award TDHCA's funding.  The score provides a comparative assessment of each place's level of need relative to the other places within the state service region.

The score encourages applicants to request funding to serve communities that have a high level of need.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will proceed to the next item, which is the Regional Allocation Formula. TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund program funding.

The resulting formula objectively measures the affordable housing need and available resources in the 13 state service regions and use it for its planning purposes. Additionally, the formula allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the formula is updated annually to reflect the most current demographic and available resource information, to respond to public comment on the rule, and it's also updated annually to include other factors as required to better assess regional affordable housing needs.

Is there anyone here to comment on this item?

(No response.)

**MS. YEVICH: Hearing none, we will move to the next item, which are Housing Program Rules, the first item being the Housing Tax Credit Qualified Allocation Plan and Rule, known as the QAP.**

**This document establishes the 2011 rules for the Housing**

**Tax Credit Program. The Housing Tax Credit Program uses federal tax credits to finance the development of high-quality rental housing for income-eligible households and is available statewide.**

Is there anyone here to comment on this item?

Please come forward.

MR. KAHN: Good afternoon. My name is Barry Kahn. I'm a developer here in Houston. And I got a couple of comments regarding the QAP and the definition section for the QAP, as well as the other programs.

There's been a lot of confusion about an ETJ and how that ties in with who has control for various approvals. In the definitions for appropriate local official, it includes the ETJ, which would mean that if you're doing a project in Harris County and it's in the Houston ETJ, the Houston City Council would control.

And whereas the commissioners in Harris County, as well as the funding sources, which may be from Harris County, wish to, you know, be able to approve and disapprove their projects.

So with the appropriate local officials, the ETJ provision is suggested to be removed so that the City of Houston controls projects within the city of Houston city limits and Harris County controls the projects which are in Harris County.

The person with disabilities definition is narrowed quite a bit. There seems to be some ambiguity and some difficulty with those who are managing properties being able to determine whether somebody fits the much narrower definition.

Under federal law, you can't ask about people's disabilities when you're a leasing agent, so all they can do is certify to a statement, and it is suggested they go back to the definition that was used last year instead of as changed.

There is a definition on total housing development cost. This seems a little bit too narrow for GAAP methodology, to determine the amount of qualified credits. Costs do not appear to allow reserves for lease-up or operating until break-even, which is a cost of development for tax credit purposes.

However, if it's excluded and the definition only includes cost of acquisition, construction, rehab, or financing, then some of the costs that one faces with getting a project to break-even, which has been historically the basis for total development cost, would have to be excluded.

So the definition needs to be broadened to include, you know, all the costs to achieve break-even, and it is suggested that the words "achieving break-even and meeting all financing requirements" would be added to the definition term.

Then in -- I believe this is the right section -- 48.94 certifications, at certification O on page 50, you have to make a certification about whether you've been voluntarily or involuntarily removed by a lender, and there's no time limit on this.

So if somebody's been in the business 30, 35 years and dealt with the eighties, you'd have to get into all sorts of disclosure information, which you may not even have all the data any longer.

Fannie and Freddie generally use a limitation of ten years with inquiring about these types of questions, and it's suggested that this certification be limited to a certain period of time. And I'm not suggesting that it be a ten-year limit, but at least no more than ten years. We would like to see a period shorter than that.

And then a lot of the dates by which reports are due were moved up from April 1 to March 1, which is the due date of the application, and it is suggested that the reports or letters from officials or councils, you know, be changed as it was last year.

That's all my comments. Thank you.

MS. YEVICH: Thank you, Mr. Kahn.

Is there anyone else here to comment on the Qualified Allocation Plan?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Real Estate Analysis Rule. This document outlines rules and guidelines related to TDHCA's evaluation of a proposed affordable housing development's financial feasibility and economic viability.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we'll move to the next item, which is the Multifamily Bond Program Rule. This document establishes the 2011 rules for the Multifamily Bond Program.

This program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

Is there anyone here to comment on this rule?

(No response.)

MS. YEVICH: Hearing none, we'll move to the final rule, which is the Definitions for Housing Program Activities Rule. The definitions apply to the Housing Tax Credit Program, Multifamily Housing Revenue Bond Program, and other department programs as defined in their rules.

This rule is proposed to contain those definitions currently in the 2010 Qualified Allocation Plan that could be applicable to other departmental multifamily programs.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, is there anyone else here who would like to make a comment at this hearing?

(No response.)

MS. YEVICH: Since there is none, I want to thank you again for today's hearing, and with that, the meeting is concluded.

(Whereupon, at 12:57 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: 2010 State of Texas Consolidated Public Hearing

LOCATION: Houston, Texas

DATE: October 1, 2010

I do hereby certify that the foregoing pages, numbers 1 through 13, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

10/6/2010
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

# Comment #10

Bill Fisher

Odyssey Residential

# Comment #11

Ben Medina

City of Brownsville

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2010 STATE OF TEXAS CONSOLIDATED

PUBLIC HEARING

12:40 p.m.
Thursday,
October 7, 2010

1001 Elizabeth
Brownsville, Texas

BEFORE:

ELIZABETH YEVICH, Director
Housing Resource Center

I N D E X

P R O C E E D I N G S

MS. YEVICH: Good afternoon, and welcome to the 2010 State of Texas Consolidated Public Hearing in Brownsville.

These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, the Texas Department of Rural Affairs, and the Texas Department of State Health Services annual policy, rule, and planning documents.

All documents under review are available at www.tdhca.state.tx.us/hearings.

If you have not already done so, please take this opportunity to silence any cell phones.

For anyone interested in speaking, we need you to fill out a witness affirmation form, which are at the table over here, and please note the topic you wish to discuss. Also, as you speak, please provide your name and who you represent.

As a reminder, we are here to accept public comment and will not be able to respond to questions about the rules or documents.

The comment period for the plan, the Affordable Housing Needs Score Methodology, and Regional Allocation Formula Methodology, is September 17 through October 18, 2010. The comment period for the rules is September 24 through October 23.

Written comment is encouraged and may be provided at any time during the public comment period. Public comment on the rules may also be provided in writing to the following address, at TDHCA, 2011 Rule

Comments, PO Box 13941, Austin, Texas 78711; or by fax to area code 512-475-9606; or they can be e-mailed to tdhcarulecomments@tdhca.state.tx.us.

Public comment on the plan, the AHNS, the Affordable Housing Needs Score, or the RAF, the Regional Allocation Formula Methodology, may be provided in writing to myself, Ms. Elizabeth Yevich -- and that's spelled Y-E-V-, like in Victor, I-C-H -- at TDHCA, PO Box 13941, Austin, Texas 78711; or by fax to area code 512-475-1672; or by e-mail to my e-mail which is elizabeth.yevich@tdhca.state.tx.us.

And we will begin with the planning documents, and the first is the 2011 State of Texas Consolidated Plan One-Year Action Plan Draft.

TDHCA coordinates the preparation of the 2011 State of Texas Consolidated Plan One-Year Action Plan Draft, with the Texas Department of Rural Affairs and the Department of State Health Services, and that's TDRA and DSHS.

The plan covers the State's administration of the Community Development Block Grant Program -- that's CDBG -- by TDRA, the Housing Opportunities for People with AIDS -- it's known as HOPWA -- by DSHS, and the Emergency Solutions Grants Program -- known as ESGP -- and Home Investment Partnerships Program by TDHCA.

The plan includes one-year action plans for the four programs -- CDBG, HOPWA, ESGP, and HOME -- and additional information on meeting underserved needs, fostering and maintaining affordable housing, lead-based paint hazard mitigation, reducing poverty-level households, developing institutional structure, coordination of housing and services, and addressing public housing authorities' needs.

Community Development Block Grant Program, CDBG. Under the Texas CDBG program, assistance is available to nonentitlement general-purpose units of local government, including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the Federal Community Development Block Grant Program.

Assistance is available in six funding categories and two pilot programs under the Texas Community Development Block Grant Program. These are: one, Community Development Fund; two, Texas Capital Fund; three, the Colonia Fund, which includes the following four areas: Colonia Planning and Construction Fund, Colonia Economically Distressed Areas Program legislative set-aside, the Colonia Self-Help Centers legislative set-aside, the Colonias-to-Cities Initiative Program; four, Planning and Capacity-Building Fund; five, Disaster Relief Urgent Need Fund; and six, the Texas CDBG STEP Fund.

And the pilot programs are as follows: Renewable Energy Demonstration Pilot Program and the Community Facilities Fund.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Home Investment Partnerships Program. The Home Investment Partnerships Program, referred to as the HOME program, awards funding to various entities for the purpose of providing safe, decent, affordable housing across the state of Texas.

To provide this kind of support to communities, HUD awards an annual allocation of approximately $40 million to TDHCA.

Under the HOME program, TDHCA awards funds to applicants for the administration of the following activities: the Home Ownership Assistance Program, which provides down-payment and closing-cost assistance for eligible households -- this program is also utilized in a separate contract-for-deed set-aside to assist in the conversion of contract-for-deed arrangements into a warranty deed; Homeowner Rehabilitation Program provides funds to eligible homeowners for the rehabilitation or reconstruction of single-family homes; the Tenant-Based Rental Assistance Program, known as TBRA, which provides rental subsidies, which may include security deposits to eligible tenants for a period of up to 24 months; Rental Housing Development Programs provides funds to build, acquire, and/or rehabilitate affordable multifamily housing.

In accordance with the HOME final rule, 15 percent of the total HOME allocation is set aside for Community Housing Development Organization, or CHODOs, eligible activities.

Is there anyone here to comment on HOME action plan?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Housing Opportunities for Persons with AIDS Program, also known as HOPWA.

The Texas Department of State Health Services, DSHS, addresses the housing needs of people with HIV and AIDS through the HOPWA program, which provides emergency housing assistance in the form of short-term rent, mortgage, and utility payments to prevent homelessness; provides tenant-based rental assistance, which enables low-income individuals to pay rent and utilities until there is no longer a need or until they are able to secure other housing; provides supportive services, which provides case management, basic telephone assistance, and smoke detectors; and provides permanent housing, which allows assistance for reasonable security deposits, related application fees, and credit checks.

If you have questions regarding HOPWA, please contact the Department of State Health Services at area code 512-533-3000.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Affordable Housing Needs Score, also known as AHNS.

The Affordable Housing Needs Score is a scoring criteria used to evaluate HOME, Housing Tax Credit, and Housing Trust Fund applications.

While not specifically legislated by the State, the score helps address other need-based funding allocation requirements by responding to an IRS Section 42 requirement that the selection criteria used to award the Housing Tax Credit funding must include housing needs characteristics, and by responding to the State Auditor's Office in Sunset findings that called for the use of objective need-based criteria to award TDHCA's funding.

The score provides a comparative assessment of each place's level of need relative to the other places within the state service region.

The score encourages applicants to request funding to serve communities that have a high level of need.

Is there anyone here to comment on the Affordable Housing Needs Score?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item, which is the Regional Allocation Formula, also known as the RAF.

TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit, and Housing Trust Fund program funding.

The resulting formula objectively measures the affordable housing need and available resources in the 13 state service regions it uses for its planning purposes. Additionally, the formula allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the formula is updated annually to reflect the most current demographic and available resource information and to respond to public comment on the formula, and it's updated to include other factors, as required, to better assess regional affordable housing needs.

Is there anyone here to comment on the Regional Allocation Formula?

(No response.)

MS. YEVICH: Hearing none, we will move to the Housing

Program Rules, the first being the Housing Tax Credit Qualified Allocation Plan and Rule, often referred to as the QAP.

**This document establishes the 2011 rules for the Housing Tax Credit Program. The Housing Tax Credit Program uses federal tax credits to finance the development of high-quality rental housing for income-eligible households and is available statewide.**

Is there anyone here to comment on the QAP?

MS. YEVICH: Mr. Fisher?

MR. FISHER: Where am I going, here?

MS. YEVICH: Right -- because that's recorded for the court reporter, so it's not amplified, but it should be fine.

**MR. FISHER: Good afternoon, staff members. My name is Bill Fisher. I'm with Odyssey Residential**, and I am here to comment today on the QAP, and then I have a couple of comments later on for the Real Estate Analysis Rules.

A couple of them are generic, and a couple of them are specific to provisions in the QAP, and I will provide written -- specific written substitution language, where appropriate, prior to the expiration of the comment period.

One of the concerns that we have here in the Valley -- we're in Region 11 here -- is most of the affordable housing that's been done in the last five or ten years has been substantially property tax exempt.

As you look out at the awards that were made in the 9 percent round, sort of the majority of them are going to public housing authorities who are paying no property taxes.

So one of the things we'd certainly like to be considered in the QAP is some preference to affordable housing developments, in at least this area, that pay property taxes over those that are property tax exempt.

The other issue along that same line is much of the housing that's been done in the tax-exempt -- property-tax-exempt transactions are demolitions and reconstructions of, in many cases, old public housing. And although we support that effort, we would certainly like the QAP to allow for what we really need here in the Valley, which is net new units.

Demolition and reconstruction, I believe, in the current rules preclude going -- doing additional units, so that if you tore down a hundred, you can do a hundred or less, but you can't do more than a hundred.

And the affordable housing need here is great. The TDHCA Board was here, I believe, last month, touring the area.

And we would really like to see, even if it's just a region-by-region provision, to allow for demolition and reconstruction in those circumstances to allow for net new units, because we do need net new units in this marketplace specifically.

I wanted to speak really in support of many of the board members' position last month regarding page 19, 494, item 9, regarding these proposed new debarment rules. They are completely disconnected with reality, the idea that a voluntary removal in a housing tax credit transaction in a dispute with your lender or equity partner would somehow leave the principal or the developer or the applicant debarred for a period of up to five years.

Each one of these circumstances are fact-specific. Many of them are done to avoid litigation. I believe one of the board members commented specifically about the fact that frankly we got quite a few insolvent and bad-apple limited partner equity providers.

I'd specifically mention AIG, who, for the record, was mentioned by the Federal Reserve president in a congressional testimony to be a fraudulent organization, who represented themselves to the public for more than 15 years as an insurance company, when in fact they were a highly Leveraged hedge fund.

I certainly don't see any provisions in the rules to the current QAP to remove bad-apple equity providers, and until we come with up a more detailed, rational system for dealing with debarment, around the circumstances outlined in 494.4, I would certainly encourage the board to exclude this provision entirely.

I did want to speak in support of the provision that I believe is in -- intended to be in the QAP, regarding developer fee; that in these transactions that close with equity providers where more than 50 percent of the equity fee is deferred, that the transaction not be considered feasible.

Again, kind of back to my comment on debarment with the equity providers that don't pay developer fee. Frankly, it's rampant in the business, and particularly since, again, AIG was insolvent; I believe the related capital companies were insolvent; MMA was insolvent.

So we have many, many equity sponsors, syndicators, who are either currently insolvent, out of business, or were rescued by federal assistance or would otherwise have failed. So I do support the provision that the board indicated, that a 50-percent-developer-fee requirement at the end of day from the sponsor's syndicator would be a requirement.

I do want to encourage the board to make sure that they have clear and unfettered authority to waive any rule or any staff recommendation for good cause.

I do support the fact that the board should put on the record the basis for the good cause, for waiving or changing a staff recommendation, or waiving any rule, as part of the allocations involved in the QAP, but that the board ensure that they have broad authority to overrule any item or any action that's taken by staff in regard to anything involving the Qualified Allocation Plan.

And with that, I'll -- all I have left is some comments on REA rules. Thank you.

**MR. MEDINA: Good afternoon. My name is Ben Medina I'm the director of planning for the City of Brownsville. Welcome to Brownsville.**

MS. YEVICH: Thank you.

MR. MEDINA: I hope you like the sights.

MS. YEVICH: I did. Thank you for the e-mails.

MR. MEDINA: No. But I just wanted to talk about two items --

MS. YEVICH: Okay.

MR. MEDINA: -- basically with the scoring of the test grid application. My understanding of the scoring right now is for developers, when they come in, they get points for scoring -- they have a neighborhood association. Many times the scoring that we've seen, developers come and approach the City to acknowledge neighborhood association searches for me.

We, the City of Brownsville Planning Department has a process in place that -- of how do neighborhood associations get acknowledged by the City of Brownsville. And many of them have been in existence for years. Whether they can have different points for new associations that are completely being formed only for the submittal of the tax credit application needs to be looked at.

And the second thing is that, as funders, as we are an entitlement city, many times some of those tax credit applications come and request money from the City of Brownsville, so they can get additional points on their tax credit application.

We, the City underwriters, believe that it should be the other way around. We should be the gap financing, not the tax credit program -- so they come and ask money from the City of Brownsville so they can leverage from the State.

That puts us at a standstill, because we would like to fund other projects that are not tax credit projects, but we have to pool that money so we can go through the scoring process through the application process.

So that's my comment. Thank you.

MS. YEVICH: Thank you very much, Mr. Medina.

Is there anyone else here to speak to the Qualified Allocation Plan?

VOICE:  There's someone coming in --

MS. YEVICH:  Is there?  Okay.  We'll wait.

(Pause.)

MS. YEVICH:  The next is the Real Estate Analysis Rule.  This document outlines rules and guidelines related to TDHCA's evaluation of a proposed affordable housing development's financial feasibility and economic viability.

Is there anyone here to speak to the Real Estate Analysis Rule?

MR. FISHER:  Good afternoon again.  I am Bill Fisher with Odyssey Residential.  I wanted to speak regarding the capture rate analysis rules in the REA; I believe there's been a flaw in it for actually several years here.

The capture rate calculations for the purposes of determining excess units or a lack of demand for particular units is being done by income band.

And during -- in those calculations, the department's position is a 30-percent resident, although they are at or below 50 percent, does not qualify for the calculation of demand for the purposes of capture rates.

First of all, I think that's flawed on its surface.  If you're at or below 50, you are in the 50 -- at or below 50 income band.

The other reason why it's flawed is the majority of housing authority vouchers go to residents who are at or below 30.  So, in -- at least, in this marketplace -- and frankly I think in all major markets -- there is an enormous group of residents who are at or below 30 in the income bands that are not being calculated for the purposes of demand in the capture rates.

It has two, you know, flaws. It shows a lack of demand when there's significant demand, and it is systematically excluding voucher holders in the capture rate calculations.

In theory, if there's a broad number of 30-percent residents who have vouchers -- and that number can be determined by the department and the market analyst -- they must be counted somewhere in the capture rate analysis, other than just at or below 30, because those residents, frankly, can live in a market-rate property, that has no income restrictions.

They're certainly able to live in a 60-percent unit, a 50-percent unit, a 40-percent unit, a 30-percent unit. And right now, however you slice it, they're being left out of any of the capture rate calculations by income band, with the exception of 30 percent.

And, again, I -- the emphasis here I want to make is, those residents being excluded is potentially discriminatory, but the other issue is, really, they are a significant portion of our demand population, and frankly they are able to meet demand in all of these income bands.

And so that issue has to be addressed, in my opinion. So that's my only comment on the REA rules. Thank you.

MS. YEVICH: Okay. Thank you very much, Mr. Fisher.

(Pause.)

MS. YEVICH: Is there anyone here further to speak on the Real Estate Analysis Rules?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item which is the Multifamily Bond Program Rule. This document establishes the 2011 rules for the Multifamily Bond Program.

This program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

Is there any here to make comment on the Multifamily Bond Program Rule?

(No response.)

MS. YEVICH: Hearing none, we will move to the final item, which is the definitions for Housing Program Activities Rule.

The definitions apply to the Housing Tax Credit Program, Multifamily Housing Revenue Bond Program, and other department programs as defined in the rules.

This rule is proposed to contain those definitions currently in the 2010 Qualified Allocation Plan that could be applicable to other departmental multifamily programs, such as HOME or Housing Trust Fund.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, is there anyone else here in the room that would like to make comment?

Sir?

VOICE: [inaudible]

(Pause.)

MS. YEVICH: Are you Mr. de la Cruz?

MR. DE LA CRUZ: I am. Thank you.

MS. YEVICH: You are -- all right. Thank you.

MR. DE LA CRUZ: My name is Pete de la Cruz. I work with Hidalgo County. I'm the colonia coordinator for the self-help programs. In our department, we also have a HOME department, which [indiscernible] is here with us. But the main thing that I wanted to talk about was that I believe we have in your manual that the property taxes have to be paid as if -- if we are to find a resident or an application eligible.

And we're kind of having problems with that, because in Uvalde County, if you have -- we either have to have the taxes paid or a payment plan available from the County.

Uvalde County does do payment plans, but anybody that owe below $2,000, they do not do a payment plan at all.

Therefore, we have a lot of residents, applicants, that are low -- that owe below 2,000, and we cannot -- we are not available to help them, due to that problem that they cannot have a payment plan, and they're in need of rehab or reconstructions and so forth.

And our problem is that we can't help those people, because they can't pay -- for example, they owe last year's taxes, and this year's coming up. Of course, they probably can't pay today's -- or this year's, but they can pay last year; therefore, that makes them ineligible, because they still owe last year. And they don't have no means to pay, and they can't make a payment plan; therefore, they're not eligible.

So we kind of have a problem with that, that we're leaving people out that are in dire need of help, and they don't owe that much, but still we cannot help them. So --

Steve, did you want to add anything to that?

VOICE: [inaudible].

MR. DE LA CRUZ: And that happens, also. I'm sure he's going to have a problem with his HOME program. When applicants that do go for help, and because they owe below the 2,000 and we cannot make a payment plan, there's no way we can help them. And that leaves them out in the cold.

Where there will be those people that do owe maybe more -- 2- or 3,000 -- and they can't pay, and then they'll still be eligible. See, so we have a problem there, and I was wondering if there was some way we could resolve this.

VOICE: That applies to Colonias, to statutorily -- Housing Trust Home Associates.

MR. DE LA CRUZ: Yes. See, that applies to my HOME -- for my self-help programs -- that applies to them, and I'm sure it's going to apply to the HOME, also.

And we have a big problem. There's going to be a lot of people left out, without help.

MS. YEVICH: Okay.

MR. DE LA CRUZ: Okay. Thank you very much, Mr. de la Cruz.

MR. DE LA CRUZ: Thank you.

MS. YEVICH: Is there anyone else here to make comment at this hearing?

Mr. Medina.

VOICE: Just kidding. That was a bluff. It was a fake.

(General laughter.)

MR. MEDINA: I'm sorry. Just on the -- in general, we do have a Pilot Weather Station Program, and I just want to comment that it's made a big difference to many Brownsville families in saving some on their energy bills.

So -- and thank the State for all their TA -- we just went through monitoring, and we have some issues to correct, but they are very responsive to our request for technical assistance.

And, also, the test grid program, we have the staff of like Robbye Meyers and staff that that program is very successful. Thank you very much.

MS. YEVICH: Thank you very much.

(Pause.)

MS. YEVICH: Is there anyone else to make comment?

(No response.)

MS. YEVICH: Hearing none, I would like to thank everybody for attending today's meeting, and the hearing is now concluded.

(Whereupon, at 1:09 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: 2010 State of Texas Consolidated hearing

LOCATION: Brownsville, Texas

DATE: October 7, 2010

I do hereby certify that the foregoing pages, numbers 1 through 20, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing & Community Affairs.

10/13/2010
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

Comment #12

Darrell G. Jack

Apartment MarketData, LLC

**From:** TDHCA Rule Comments
**Sent:** Monday, October 18, 2010 4:21 PM
**To:** Tom Gouris; Robbye Meyer; Teresa Morales; Raquel Morales; Jeff Pender; Tim Irvine
**Cc:** Misael Arroyo
**Subject:** FW: Rule Comments - Third Party Reports due March 1, 2011

FYI

Michele Atkins
Executive Assistant to the Chief of Staff/General Counsel

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**From:** Darrell G Jack [mailto:amd@stic.net]
**Sent:** Monday, October 18, 2010 3:56 PM
**To:** 'TDHCA Rule Comments'
**Subject:** RE: Rule Comments - Third Party Reports due March 1, 2011

These comments refer to the QAP.

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**From:** TDHCA Rule Comments [mailto:tdhcarulecomments@tdhca.state.tx.us]
**Sent:** Monday, October 18, 2010 3:08 PM
**To:** Darrell G Jack
**Subject:** RE: Rule Comments - Third Party Reports due March 1, 2011

Good afternoon Mr. Jack,

We have several rules that are out for comment currently, can you please let me know which rule your comments concern?

Thank you!

Michele Atkins
Executive Assistant to the Chief of Staff/General Counsel

---

**From:** Darrell G Jack [mailto:amd@stic.net]
**Sent:** Monday, October 18, 2010 2:54 PM
**To:** tdhcarulecomments@tdhca.state.tx.us
**Subject:** Rule Comments - Third Party Reports due March 1, 2011

Greetings:

I am writing in opposition to the rule changing the due date of the third party reports from April 1st, to March 1st. Of particular interest to me is the rule change as it applies to the market study due date.

First, the pre-application period is a legislative mandate. The legislature created this process to allow developers the opportunity to compare their potential property score to other competing developments. In this way, the developer could make an informed decision as to going forward with a full application. In doing so, the legislature created a mechanism where by developers could be saved the considerable expense of putting forth an application at would not be competitive in the allocation process.

Developers typically want to see the list of pre-application scores before engaging many of the third party reports. The pre-app list is usually published by the TDHCA around January 20th+. Thus, the third party contractors would have at most, 40 days to complete the assignment for any developer going forward with an application. This is simply not enough time to guarantee developers have their third party reports in hand for the March 1st deadline.

Second, the Department has long said that developers need to be working with the market analysts to develop the best possible unit mix and incomes served. This process is very fluid as the developer works towards finalizing their application. Without this element being locked down, market analysts frequently have to revise any study they produce before the application deadline of March 1st . By giving analysts and additional 30 days beyond the deadline for the application, the Department helps to insure that any last minute changes to the unit mix and/or rents are reflected in the final market study. Without this additional time, the Department is likely to find market studies that do not match up to the developer's application. Thus, the need for the Department to send out deficiency letters and require revisions to the market study will be greatly amplified. This would require more of staff's already limited and valuable time.

Third, market studies for non-HOME Fund projects typically begin the review process in late April and May. Projects using HOME Funds already have a March 1st deadline. Thus, there is not need for the non-HOME Fund projects to have the market studies turned in by March 1st. Any available time that staff may have to review reports between March 1st and April 1st is easily taken up with the review of HOME Fund projects.

In summary, to create an artificial deadline of March 1st for non- HOME Fund projects does nothing to advance the process of allocating LIHTC's. It will create shorter time lines in which the third parties have to work within and may ultimately lead to less accurate reporting to the Department.

Sincerely,

Darrell G Jack
Apartment MarketData, LLC

Comment #13

Barry Halla

Life Rebuilders

Comment #14

Sarah Andre

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2010 STATE OF TEXAS
CONSOLIDATED PUBLIC HEARING

Room 170
Stephen F. Austin Building
1700 N. Congress Avenue
Austin, Texas

October 15, 2010
9:43 a.m.

BEFORE:

ELIZABETH YEVICH, Manager, Housing Resource Ctr

# I N D E X

P R O C E E D I N G S

MS. YEVICH: Welcome to the 2010 State of Texas Consolidated Public Hearing in Austin.

These hearings are an opportunity to comment on a significant portion of the Texas Department of Housing and Community Affairs, the Texas Department of Rural Affairs, and Texas Department of State Health Services annual policy rule and planning documents. All documents under review are available at www.tdhca.state.tx.us/hearings.

And if you have not already done so, please take this opportunity to turn off your cell phones.

And for anyone interested in speaking, you will need to fill out a witness affirmation form, so if you haven't already done that, please do so. Also, as you speak, please provide your name and who you represent.

As a reminder, we are here to accept public comment and will not be able to respond to questions about the rules or documents.

The comment period for the Plan, the Affordable Housing Needs Score, known as the AHNS, and the Regional Allocation Formula, known as the RAF, Methodology is September 17, through October 18. The comment period for the Rules is September 24 through October 23. Written comment is encouraged and may be provided at any time during the public comment period. Public comment on the Rules may also be provided via mail to TDHCA, 2011 Rule Comments, P.O. Box 13941, Austin, Texas 78711, or by fax to area code 512-475-9606, or they can be sent in e-mail to tdhcarulecomments@tdhca.state.tx.us.

Additionally, public comment on the Plan, the AHNS Methodology and the RAF Methodology may be provided in writing to Elizabeth Yevich, and that's spelled Y-E-V-I-C-H, TDHCA, P.O. Box 13941, Austin, Texas 78711, or by fax to area code 512-475-1672, or e-mail to elizabeth.yevich@tdhca.state.tx.us.

We will begin with the planning documents, the first being the 2011 State of Texas Consolidated Plan One Year Action Plan.

TDHCA coordinates the preparation of the 2011 State of Texas Consolidated Plan One Year Action Plan with the Texas Department of Rural Affairs and the Texas Department of State Health Services. The Plan covers the State's administration of the Community Development Block Grant, CDBG, by TDRA, the Housing Opportunities for Persons with AIDS, known as HOPWA, by DSHS and the Emergency Solutions Grants Program, ESGP, and the HOME Investment Partnership Program by TDHCA.

The Plan includes one-year action plans for the four programs and additional information on meeting underserved needs, fostering and maintaining affordable housing, lead-based paint hazard mitigation, reducing poverty-level households, developing institutional structure, coordination of housing and services, and addressing public housing authorities' needs.

The Community Development Block Grant Program. Under the Texas CDBG Program, assistance is available to non-entitlement general purpose units of local government, including cities and counties, that are not participating or designated as eligible to participate in the entitlement portion of the Federal Community Development Block Grant Program.

Assistance is available in six funding categories and two pilot programs which are as follows: 1) Community Development Fund; 2) Texas Capital Fund; 3) Colonia Fund which includes Colonia Planning and Construction Fund, Colonia Economically Distressed Areas Program Legislative Set-Aside, Colonia Self-Help Centers Legislative Set-Aside, Colonias to Cities Initiative Program; 4) Planning and Capacity Building Fund; 5) Disaster Relief/Urgent Need Fund; 6) Texas CDBG STEP Fund.

And following are the two pilot programs: the Renewable Energy Demonstration Pilot Program, and the Community Facilities Fund.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will move on to the next item which is the HOME Investment Partnerships Program.

The HOME Investment Partnerships Program, referred to as the HOME Program, awards funding to the various entities for the purpose of providing safe, decent, affordable housing across the state of Texas.

To provide this kind of support to communities, HUD awards an annual allocation of approximately $40 million to TDHCA. Under the HOME Program, TDHCA awards funds to applicants of the administration of the following activities:

Home Ownership Assistance Program which provides down payment and closing cost assistance for eligible households. This program is also utilized in a separate contract for deed set-aside to assist in the conversion of contract for deed arrangements into a warranty deed.

Homeowner Rehabilitation Program which provides funds to eligible homeowners for the rehabilitation or reconstruction of single family homes.

Tenant-Based Rental Assistance Program which provides rental subsidies which may include security deposits to eligible tenants for a period of up to 24 months.

Rental Housing Development Programs which provides funds to build, acquire and/or rehabilitate affordable multifamily housing.

In accordance with the HOME Final Rule, 15 percent of the total HOME allocation is set aside for Community Housing Development Organization-eligible activities.

Is there anyone here to comment on the HOME Action Plan?

(No response.)

MS. YEVICH: Hearing none, we will move on to the next which is the Housing Opportunities for Persons with AIDS Program, known as HOPWA.

The Texas Department of State Health Services, DSHS, addresses the housing needs of people with HIV and AIDS through the HOPWA program which provides emergency housing assistance in the form of short-term rent, mortgage and utility payments to prevent homelessness; provides tenant-based rental assistance which enables low income individuals to pay rent and utilities until there is no longer a need or until they're able to secure other housing; also provides supportive services such as case management, basic telephone assistance and smoke detectors and permanent housing placement which allows assistance for reasonable security deposits, related application fees and credit checks.

If you have any questions regarding HOPWA, please contact the Department of State Health Services at area code 512-533-3000.

Is there anyone here to comment on this program?

(No response.)

MS. YEVICH: Hearing none, we will move on to the Affordable Housing Needs Score.

The Affordable Housing Needs Score is a scoring criteria used to evaluate HOME, Housing Tax Credit and Housing Trust Fund applications. While not specifically legislated by the state, the score helps address other need-based funding allocation requirements by responding to the following: an IRS Section 42 requirement that the selection criteria used to award the Housing Tax Credit funding must include housing needs characteristics, and by responding to a State Auditor's Office and Sunset findings that called for the use of objective need-based criteria to award TDHCA's funding.

The score provides a comparative assessment of each place's level of need relative to the other places within the State Service Region. The score encourages applicants to request funding to serve communities that have a high level of need.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we'll move on to the next item which is the Regional Allocation Formula.

TDHCA is legislatively required to use a formula to regionally allocate its HOME, Housing Tax Credit and Housing Trust Fund program funding. The resulting formula objective measure the affordable housing need and available resources in the 13 State Service Regions it uses for planning purposes. Additionally, the formula allocates funding to rural and urban areas within each region.

As a dynamic measure of need, the formula is updated annually to reflect the most current demographic and available resource information, updated to respond to public comment on the formula, and include other factors as required to better assess regional affordable housing needs.

Is there anyone here to comment on the Regional Allocation Formula?

(No response.)

MS. YEVICH: Hearing none, we will move over to the Housing Program Rules, the first being the Housing Tax Credit Qualified Allocation Plan and Rule, known as the

QAP.

This document establishes the 2011 rules for the Housing Tax Credit Program. The Housing Tax Credit Program uses federal tax credits to finance the development of high-quality rental housing for income-eligible households and is available statewide.

Is there anyone here to comment on the QAP?

Yes, Mr. Halla.

MR. HALLA: My name is Barry Halla. I'm with Life Rebuilders, Inc.

Just a couple of items that I hope we can get clarification on, and let me start with page 44 of the proposed QAP. It's a little confusing to me. It talks about persons who establish that they have participated in the development of 200 units will not be restricted when it comes to the rehabilitation. I'm not sure if that means new construction or if that means if you're going to do a rehab project, you have to do 200 units. We'd love clarification on that.

On page 12, it has a definition of the nonprofit organization, and I'm assuming this would be in the case where a nonprofit may submit under the general set-aside, but it says the nonprofit must materially participate. Over on the nonprofit set-aside on page 27 it has a little bit more lengthy definition, and over there it talks about control, so I'm assuming that if you apply it under the nonprofit set-aside that the nonprofit would have to be in control and not necessarily in control under the definition on page 12 that talks about a nonprofit-qualified project.

On page 46, the points scoring -- or it's actually page 57 -- I beg your pardon -- it talks about sub-metered utility meters. I'm assuming that that means the sub-metering of the tenant utilities like electricity, that we would not have to sub-meter on a rehab project the water sub-metering which would be not impossible but a very difficult process.

I think that's all the comments I had. I want to thank TDHCA for this opportunity to discuss the QAP. This is wonderful so that we don't get surprised at a later date and end up making a mistake.

Thank you so much for your time.

MS. YEVICH: Certainly. Thank you, Mr. Halla.

Mr. Bob Sherman.

MR. SHERMAN: Good morning, Ms. Yevich. My name is Bob Sherman, SBG Development.

I'd like to make a couple a references here, beginning with threshold index number 49.8, the Experience Certificate. Once again, Mr. Halla, a friend of mine, made reference to the fact that there is some restriction on what type of development you can qualify for, you must have done 200 units. Now, in the current 2011 it says: "Persons who establish that they have participated in the development of 200 units or more will not be restricted." And that refers to whether it's new construction or whether it's renovation.

We plan a renovation project, it's 322 units, it's rather large. We haven't done a 322-unit renovation project but we've done several hundred units of new construction. This needs to be clarified here, and I would like the agency to refer back to the 2010 restriction on that which just simply says, and allow me to read it: "Have a record of successfully constructing or developing residential units, single family or multifamily" in the capacity of owner, developer, et cetera.

This QAP goes on to say instead of multifamily and single family, it refers to must have experience in single family, multifamily, new construction, rehabilitation, et cetera I would submit to the agency that I think it's a fair and reasonable approach that they've taken in 2010, multifamily or single family. I've developed both, I'm an old guy, I'm 66, if I could develop 200 brand new units, I don't think I'd have trouble, and I haven't had trouble developing 200 to 300, whatever, rehabilitation units.

I'd just like the agency to be aware that they are increasing the restriction, and I hate to say this, but quite possibly creating an exclusive little group who may have been fortunate enough to do over 200 renovation units -- which are really a thing of the past, lately most of the applications have been for new construction.

I'd just like you to go back to what I think is perfectly restrictive enough which is the 2010 experience on single family or multifamily, forget about renovation and -- what else did they say here -- renovation and new construction, multifamily, single family, rehabilitation, et cetera. It's just too broad. I think the 2010 is an excellent piece and I would ask the agency to consider retaining that.

Once again, thank you very much.

MS. YEVICH: Thank you, Mr. Sherman.

Next, Mr. Jack.

MR. JACK: Hi. My name is Darrell Jack. My firm is Apartment Market Data, and I'm here today to represent my firm, and also Bob Coe with Affordable Housing Analysts.

I want to chat with you just a minute and express my opposition to the change in the timing of the deadline for third party reports. The last several years, three to four years, the timing, at least for the market studies, has always been April 1. We had years prior looked at moving the deadline to March 1, and in those meetings with department staff, it was found that it was unnecessary for the market studies to come in at the same time that the applications were received by the department.

In fact, typically, the market studies are needed probably midway to late in the process of evaluating a project for allocation. In the last few years the timing of the market study reviews has generally fallen, the first ones start to be reviewed in late April and then the department really gets into the meat of the reports later in May. And it seems like this process has worked well and efficiently for both the department, developers and the market analyst community.

I want to point out that, first, going back to the pre-application process, this is a legislatively mandated requirement for the department, and the legislature did this because they saw that developers needed an opportunity to evaluate their potential projects to other applications that they would be competing with. In the end, it's designed to save the developer the cost of pursuing non-competitive applications. It's also much more efficient for the department that we go through this pre-application process.

By moving the deadline from April 1 back to March 1 for third party reports and particularly the market studies, the opportunity for developers to have this time period where they can evaluate their project and other competing projects for tax credits is significantly reduced. It also reduces the opportunities for developers to consult with their market analysts to come up with the most efficient unit mix that addresses the needs of that community.

In the end, it really puts the market analyst community in a bind. We simply don't have enough time to produce the volume of the reports that are needed for the March 1 deadline. We're talking the timing between when the pre-application list and scoring comes out in late January till March 1 is only 30 days, at most, in most cases. So you know, it really does a disservice, first, to the department, two, to the developer, and three, the community that we're designed to serve the low income residents of Texas by moving this deadline up when it's really not necessary to accomplish the tasks and the goals that the department is charged with each year in these allocations.

So I would request that the deadline, at least for the market studies, remain April 1, as it has been for at least the last three or four years, and let us have the opportunity to consult with developers and not force them to be rushed into turning in an application to the state that could be better and serve a larger portion of our state's residents.

Thank you.

MS. YEVICH: Thank you, Mr. Jack.

Next for the QAP, Ms. McIver.

MS. McIVER: Hi. My name is Diana McIver, and I'm here representing the Texas Affiliation of Affordable Housing Providers. We represent more than 200 of the housing professionals throughout the state who work in the Tax Credit Program and other TDHCA programs, and our membership has been pleased to work with TDHCA and its staff over the past several months in working on this 2011 QAP, so the comments that I have today are really representative of that membership.

We have several comments on the definitions and I'm going to submit those for the record because we've talked with folks on staff about them and I think everybody is fairly comfortable with recommendations we're making as it relates to definitions.

A couple of things on the QAP itself. On the $2 million cap, there was some change to the language this year, and in reading it, the concept of the guarantor who does not have any control over the development owner, I think the concept that we understand the agency to want is out there but we're proposing some clarification to the language because right now as drafted it's a little confusing.

And basically, I've got that in my written comments, but our clarification is that the department shall not allocate more than $2 million, da-da-da, to any applicant, related party affiliate or guarantor unless the guarantor is not a principal of the development owner. So that would take a contractor who is being a guarantor out of it, it would take just a regular guarantor out of it, as long as they don't control the owner. So that's one of our suggestions.

Another suggestion is that the joint venture proration be reinstated so that we can continue to have joint ventures between inexperienced developers and experienced developers with proration of the cap.

The next point gets to quantifiable community participation, and we had recommended earlier that there be a middle ground so that a neighborhood -- a situation where there was a neighborhood association but they did not support or they were neutral on the project would qualify for 12 points, but we're recommending that the 18-point category be for situations where there's absolutely no neighborhood organization at all. And then that would put everybody on a level playing field between where you have a neighborhood association that supports, where you have one that doesn't exist, they would get the 18 points and then they could qualify for community support later on in the application for an additional six points. So that continues to be our recommendation.

On the commitment of funding from local political subdivisions, TAAHP is very appreciative that the recommendation of staff was to go with per-unit instead of a percentage of total development costs, but our recommendations are to come much lower in those per-unit amounts. We're basically recommending that a total contribution of at least $500 or $250 per unit for rural developments receive 12 points, a contribution of $1,500 or half of that for rural developments receive 15 points, or a contribution of $2,500 or half that for rural developments or non-participating jurisdiction receive 18 points. Our thought there is that communities are really struggling for funds and to make those a little more easily achievable for the cities and for the development community.

One of the things that we're also recommending is that for the extra boost, the 30 percent boost, that projects that are located in an exemplary or recognized school attendance zone be reinstated. They were an acceptable category last year for the 30 percent boost cap, they were eliminated this year.

And I don't know if everyone saw this morning's paper but there's actually an article in this morning's paper, there was a study done that shows that children in high poverty areas who had the opportunity to go to better schools actually at the end of the study -- and I think it was a seven-year study -- showed an average 8 percentage point gain on their math tests over their peers.

So we really think that's important that that be an area for the boost. I know the agency only wants to see that boost where it's more expensive to develop, but across the board, pretty much you're going to find that land in areas that have good school districts is going to be more expensive. So we're going to ask that that be reinstated.

On the pre-application points, we think that we're recommending something that would be sort of a cross between what staff recommended this year versus what was in place last year, and so it's TAAHP's recommendation that as long as we have between pre-app and app and it's on the same site and all the other characteristics, that we would include as part of this exhibit a certification signed by at least one of the principals or authorized agents that signed the site option at pre-app confirming that they are involved as the owner, developer, contractor or consultant on the project at application stage.

And we think that gets the continuity that the department is looking for, at the same time not penalizing a group that goes in at pre-app and maybe later one finds out that they have a compliance issue or they have financial issues, other things that come up. So this way you have the continuity without it being the exact same group of principals.

We also are going to request that the points for locating housing outside of high poverty areas be there for developments that are there for seniors as well as for families. It's good to reward developers who put housing for families in low poverty areas, but it seems like we should have the same treatment for senior housing in low poverty areas. If it's good for one, it's good for the other.

The next one is that there was a new clause inserted that all amendments going to the board -- and frequently we have amendments going to staff and then to the board -- that all amendments have to be prepared by an attorney, and we feel that there are a lot of amendments that are very simple, such as maybe for a parking variance, that type of thing, that they can be prepared by the applicant or the applicant's consultant or developer and not have to incur the cost of going to an attorney.

And then the last one is ineligible applicants, and this is one where some negotiations have already gone on because it was a major change in the first draft of the QAP. So whereas, TAAHP is comfortable now that this case-by-case approach applies to developers or general partners who have been removed, voluntarily or involuntarily, from a project, we would request clarification that this be amended to read that they'd been removed by a lender, equity provider, any other owners or investors during the previous five years, so we have a time date-certain with it.

Also, we're recommending that this be clarified to apply only to situations where that person was acting as a principal in the transaction where they were removed, voluntarily or involuntarily, and also that it be clarified that those transactions involve residential real estate, that they weren't removed from an oil and gas partnership or something like that. We agree with what the department is trying to accomplish, we just would like a little more specificity in it.

And those are my written comments on behalf of TAAHP, and as I say, I have a copy for the record that I'll provide. Thank you.

MS. YEVICH: Thank you, Ms. McIver.

Is there anyone else where to speak on the Qualified Allocation Plan and Rules?

(No response.)

MS. YEVICH: Hearing none, we will move to the next item which is the Real Estate Analysis Rule.

This document outlines rules and guidelines related to TDHCA's evaluation of a proposed affordable housing development's financial feasibility and economic viability.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will proceed to the next item which is the Multifamily Bond Program Rule.

This document establishes the 2011 rules for the Multifamily Bond Program. This program issues tax-exempt and taxable bonds to fund loans to nonprofit and for-profit developers.

Is there anyone here to comment on this item?

(No response.)

MS. YEVICH: Hearing none, we will proceed to the last item which is the Definitions for Housing Program Activities Rule.

The definitions apply to the Housing Tax Credit Program, Multifamily Housing Revenue Bond Program, and other departmental program as defined in their rules. This rule is proposed to contain those definitions currently in the 2010 Qualified Allocation Plan that could be applicable to other department multifamily programs.

Is there anyone here to comment on this item?

Yes, Ms. Carlton.

MS. CARLTON: For the record, my name is Belinda Carlton. I'm a policy specialist with the Texas Council for Developmental Disabilities. We will be submitting some written comments on the 2011 Draft Consolidated Plan, and we have a whole process for approval, but it wasn't until this morning that the executive director and I were able to talk about the rules, and most importantly the definition of disability which is -- what is that rule number? Sorry, Elizabeth.

MS. YEVICH: That's okay. Did you want what you had written here?

MS. CARLTON: Okay. It's rule number 39.

The rule conforms almost to the Americans With Disabilities Act, however, part (c) it says, "being regarded as having such an impairment." That's where the federal definition stops. TDHCA has added: "to include persons with severe mental illness and persons with substance abuse disorders." And the council feels that it's quite ill-advised to change the definition in that regard.

This document that I brought with me is kind of a side-by-side of federal statutory definitions of disability. There are 41 pages or 71 federal statutes that define disability, and none of them include a person with a substance abuse disorder. In fact, they generally disallow that as an inclusion in the definition.

For example, the United States Housing Act says, Such terms shall not include persons who have this and that and the other. No individual shall be considered a person with disabilities for purposes of eligibility for low income housing under this chapter on the basis of any drug or alcohol dependence. Other statutes say illicit drug use.

So certainly we need to address the housing needs of people with substance abuse disorders. I mean, the greatest part of our homeless populations are people with probably co-occurring mental illnesses and a substance abuse disorder, but they do not, under any of the federal statutes define disability as a person who is currently using drugs or alcohol. So we really urge that you strike that in the definition of disability.

Secondly, I wanted to talk about the definition for efficiency. It just says an efficiency, under number 17, a unit without a separately enclosed bedroom. I guess

I missed the conversation about why we wanted to have that definition, but we certainly have some concerns with wanting it to be more detailed to make sure that an efficiency unit that is built with federal funds that come through the Department of Housing must include usable kitchen features. Because there are units that qualify as efficiencies under this definition that would be converted nursing homes and have nothing but a microwave and they would have a common kitchen, that is not a home.

But for many people with developmental disabilities who are living at SSI level of $674 or $684 a month that are way, way below an income that is 15 percent of annual median family income, that is a housing option. And we are seeing such, as you know, an increase in these type of, quote-unquote, permanent supportive housing units, but they are not -- they may have been intended to be transitory or transitional housing but they're not, people live there permanently, and if we're going to do that with federal dollars, we really need to provide people homes that have a kitchen at least with some sort of units that are usable.

Under bedroom there's certainly detail under number 7 that defines size, depth, the size of the closet, et cetera, exactly what a bedroom looks like, and I think the department needs to define exactly what an efficiency unit looks like.

Thank you.

MS. YEVICH: Thank you, Ms. Carlton.

Is there anyone else here to comment on the Definitions for Housing Program Activities Rule?

(No response.)

MS. YEVICH: Hearing none, is there anyone else to comment on any other item here?

Ms. Andre.

MS. ANDRE: I have one item. I guess you have my name, but it's Sara Andre, just for the record, and I'm a consultant.

Most of the comments hat we have focused on have been addressed already in other people's comments, but we just have one extra one which it's regarding the request of a waiver for a threshold amenity item. In the QAP you have a lit of amenities that have to be provided. The one that always come to mind is ceiling fans, and I think it's great that there's an ability to request a waiver because in particular with ceiling fans there have been a number of issues with rehab developments where you think you're going to add ceiling fans and then when you get in there, it just becomes completely infeasible and you have to go and request an amendment to the department.

But this is what the QAP currently says. It says, "Deviations for good cause by which one or more of the foregoing -- meaning the list of amenities -- will not be provided must be approved prior to award and the request for such deviation must be included in the application. The executive director may issue such approvals."

That's excellent. I think the issue is that there's a lack of guidance on what you're supposed to submit and whether or not you're going to get the waiver. For example, if you're doing ceiling fans or some other item that's going to directly affect your costs and your cost schedule that you put in the application. So do you submit a cost schedule with the waiver and one without the waiver? You don't really know how you're going forward, and if you are getting the waiver, then you might be providing some other item that would affect your costs.

So I think it would be very good, if not in the QAP, at least in the application to give a specific process and specific guidance on what applicants should submit specifically. In the ideal, you would submit it two weeks or three weeks before the application were due and you'd get a one-week turnaround on whether or not you're getting your waiver so that you know how you're going forward.

But there definitely needs to be some kind of guidance or process in terms of how this is going to work so that we're not just submitting and resubmitting forms that will be not just a problem for the applicant but for the department as well. Well, which one are we looking at; have they gotten the waiver, have they not gotten the waiver? And it just rolls through all of the numbers.

Does that make sense?

MS. YEVICH: Yes. Thank you, Ms. Andre.

MS. ANDRE: Thanks.

MS. YEVICH: Is there anyone else who would like to comment at this hearing?

(No response.)

MS. YEVICH: Hearing none, let me thank you again for coming, and the meeting is now concluded.

(Whereupon, at 10:24 a.m., the public hearing was concluded.)

C E R T I F I C A T E

IN RE: 2010 State of Texas Consolidated Public Hearing

LOCATION: Austin, Texas

DATE: October 15, 2010

I do hereby certify that the foregoing pages, numbers 1 through 29, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Barbara Wall before the Texas Department of Housing and Community Affairs.

10/16/2010
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731

# Comment #15

Robert H. (Bob) Sherman

SBG Development Services, LP

----- Original Message -----
From: RHSHERMAN@aol.com <RHSHERMAN@aol.com>
To: tdhcarulecomments@tdhca.state.tx.us <tdhcarulecomments@tdhca.state.tx.us>; elizabeth.yevich@tdhca.state.tx.us <elizabeth.yevich@tdhca.state.tx.us>
Sent: Fri Oct 22 14:02:57 2010
Subject: 2011 Draft QAP

Ladies and Gentlemen

2011 Draft QAP

Reference 49.8 Section B Experience Certificate

The 2010 Experience Certification form carries the following statement in part:

50.9(g)-- General Partner or the Developer have a record of successfully constructing or developing residential units (single family or multifamily) in the capacity of owner General Partner ---

The 2011 QAP draft substitutes the following (single family, multifamily, new construction, rehabilitation, etc.)

It continues with – Persons who establish that they have participated in the development of 200 units or more will not be restricted.

My point is as follows.  If a person successfully completes 200 new construction units at a cost of about 22 million dollars today then surely he is capable of a rehabilitation program the hard cost of which at 15,000 per unit would be 3 million dollars!

I believe the restrictions carried in the 2010 application to be restrictive enough.  The danger here is that some very capable long time LIHTC and market rate developers could be excluded from the rehabilitation category unfairly. Furthermore this type of restriction could very well eliminate many good and capable people from the rehabilitation category reducing the competition and driving up costs.

Regards,
Robert H (Bob) Sherman
SBG Development Services, L. P.
325 N. St Paul St.
Suite 3350
Dallas, TX 75201
Main 214-750-1709
Dir 817-741-2329 24HR
Mob 214-533-0937

# Comment #16

Rollette Schreckenghost

San Antonio Conservation Society

16

# SAN ANTONIO CONSERVATION SOCIETY

October 15, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, Texas 78701

Dear Chair Conine and TDHCA Board:

I am writing on behalf of the San Antonio Conservation Society in support of comments on the 2011 Qualified Allocation Plan for affordable housing tax credits previously submitted by Mr. Hal Fairbanks and Ms. Donna Rickenbacker. A copy of their correspondence is attached.

History is one of the driving forces of our convention and tourism business, which comprises a large segment of our economy. The primary tangible remnant of our history is our built environment. Only through preservation of historic buildings can we convey our heritage and unique sense of place to future generations who will visit and come to live San Antonio, most with aspirations of gaining a better understanding of the history of Texas. Therefore it is vitally important that the State's resources for subsidizing the construction of affordable housing work together with the federal Historic Tax Credit program. If an historic preservation project has higher costs, but these costs are paid for with Historic Tax Credits, the higher costs of preservation should not prejudice the TDHCA's allocation process for affordable housing tax credits.

10-21-2010 RCVD

Housing created in historic buildings or older buildings that are not yet historic but have outlived the utility of their original purpose is typically created by adaptive re-use projects. To the greatest extent possible the TDHCA's policies should allow flexible standards such that under utilized buildings, including historic structures, may be converted into housing, thereby creating more opportunities for people to live in historic buildings and experience the charm of adaptive re-use conversions. Encouraging the use of vacant or underutilized buildings is good public policy. It contributes to the development of neighborhoods while preserving green space and builds the tax base in a sustainable manner, without necessitating additional infrastructure investment by the municipality. In San Antonio the combination of affordable housing tax credits and federal historic tax credits has allowed projects such as the rehabilitation of the historic Robert E. Lee Hotel to be economically feasible.

107 KING WILLIAM STREET ✦ SAN ANTONIO, TEXAS 78204-1312 ✦ 210/224-6163 ✦ FAX: 210/224-6168

Finally, our biggest inventory of large scale historic buildings suitable for conversion to residential use is located in the core of the city. It is essential that developers working downtown have the ability under TDHCA's allocation rules to adjust their unit mix to meet market demand, so that financing of these projects can be bolstered by underwriting of higher occupancies.

We appreciate the good work that the TDHCA does in promoting affordable housing in Texas and we encourage you to ensure that your programs also promote historic preservation and adaptive re-use projects that will allow lower income families to experience Texas' history first hand by living in historic buildings and adaptive re-use projects.

Sincerely,

Rollette Schreckenghost

Rollette Schreckenghost
President

Enclosure

C: Michael Gerber, Executive Director, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA
Teresa Morales, TDHCA

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# Comment #17

Albert E. Magill, III

San Jacinto Realty Services, LLC

17

October 5, 2010

TDHCA, Rule Comments
P.O. Box 13941
Austin, TX 78711-3941
Re: 2011 QAP Rule Comments

To whom it may concern,

After reviewing the revised rules for the 2011, I have only one suggestion related to the Ineligibility Applications 49.4(b) (9). As written, the Department awards lenders, equity providers, or any other owners or investors with additional leverage against a Developer or Principal to increase its future obligations over and above what was originally contemplated in the original contractual agreements. I would suggest inserting language that would only trigger a review by the department in the instance that the Developer or Principal **"failed to adhere to a contractual obligation of an Agreement."** In many instances over the extended life of a development, there comes a time when all parties need to work together to solve issues that adversely affect the development. To allow the Lender, Investor or Equity Provider the additional leverage to threaten debarment and force the Developer / Principal to be obligated to a greater extent than was originally required at the beginning of the relationship would tip the negotiating scale in the advantage of the Lender/Investor. Additionally, we have seen Investors and Equity Providers have personnel changes over the years resulting in a staff that are not knowledgeable toward the original agreements and expect more from Developers / Principals to enhance their financial interest in the development to remedy any exposure in an upper tier transactions.

As a result we would suggest the following additions to (b)(9):

(9) If the Developer or Principal of the Applicant has been voluntarily or involuntarily removed by a lender, equity provider, or any other owners or investors *for failure to adhere to a contractual obligation*, however designated, ......

(A) Whether the Developer or Principal has invested more of its financial resources in the Development than ~~it has received from or in connection with the Development;~~required under the initial contractual obligation.
(B) Whether such Developer or Principal had the ability to address the facts and circumstances that ultimately led to actual or threatened removal by other means or whether uncooperative parties or other facts and circumstances beyond its control prevented any other such resolution; and
(C) The contributing or causative effect of circumstances beyond such Developer's or Principal's control, such as significant changes in market conditions or a natural disaster.

Please consider the aforementioned changes to better assist both the Department and the Applicants in the administration of the rules.

Sincerely,

Albert E. Magill,III
San Jacinto Realty Services, LLC

# Comment #18

# Terry Coyne

# Community Preservation Partners

COMMUNITY PRESERVATION PARTNERS
17782 Sky Park Circle
Irvine, CA 92614
714.662.5565
714.662.6834 FAX

TDHCA, 2011 Rule Comments
tdhcarulecomments@tdhca.state.tx.us
P.O. Box 13941
Austin, TX 78711-3941

RE: Public comment to 2011 Draft QAP, Section 49.6 (b)(3)(D):

To Whom It May Concern:

Subparagraph (D) of section 49.6(b)(3)is confusingly written. What's more I don't believe that it adds any value, i.e., any additional terms and conditions, to paragraph 49.6(b)(3).

For instance subparagraph (D) may read to imply that ***all*** subsidies referenced in subparagraph (A) that are currently associated with the potential Development will need to be "at-risk' although, based on my discussions with TDHCA, this is not the intended requirement. For instance a potential Development's mortgage note (Section 236 for instance) may meet the At-Risk requirements while the HAP contract does not. This should not preclude this potential Development from being deemed At-Risk.

Furthermore this Subparagraph (D)'s reference to "financial benefits' is already sufficiently covered in subparagraph (A). As such, **I would recommend striking the entire Subparagraph (D).**

Thank you for your time and please don't hesitate to contact me should like to discuss this issue further.

Sincerely,

Terry Coyne
Director-Development

# Comment #19

Jerry Madden

State Representative

District 67

19

Robbye


CAPITOL OFFICE:
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# JERRY MADDEN

STATE REPRESENTATIVE
DISTRICT 67

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October 20, 2010

10-21-2010 RCVD

Texas Department of Housing and Community Affairs
Attention: Michael Gerber
cc: Kent Conine
P.O. Box 13941
Austin TX, 78711-3941
RE: 2011 QAP - Preference for Rehabilitation

Dear Director Gerber:

Due to the ongoing difficulties confronting our economy, as evidenced by skyrocketing foreclosure rates and lack of access to credit, families are facing significant challenges on many fronts. The construction industry has been particularly hard hit in this time of uncertainty, exacerbating an already dire situation for those in need of affordable housing. All this adds greater urgency to the work of the TDHCA in creating affordable housing alternatives and jobs for Texans in need, which leads me to recommend that the agency consider a more competitive scoring method for Housing Tax Credits that will continue all of our efforts to provide housing that Texans can afford.

Presently, scoring for Housing Tax Credits contains provisions that effectively allow rehabilitation an advantage in potential funding over new construction projects that would increase the amount of affordable homes in Texas. Section 49.9 (13) of the 2011 QAP draft allows rehab projects to receive 6 points, whereas new construction projects can only receive a maximum of 3 points. I would suggest that equality of tax credits be reestablished in the revision of the draft QAP in October so that new construction receives parity with rehabilitation projects.

The construction industry is currently experiencing high unemployment rates due to depressed private construction projects. Generally, new construction projects generate substantially more long term jobs that would both put more Texans back to work and also create more opportunity for affordable housing in our State. Local vendors benefit from new construction projects more than rehabilitation projects because the amount of materials needed is greater, stimulating our local economy and helping small businesses right here at home.

In conclusion, in the interest of increasing jobs and affordable housing in Texas, I ask that TDHCA eliminate the preference given to rehabilitation and give new construction in revitalization areas the equal chance of scoring Housing Tax Credits.

Sincerely,

Jerry A. Madden

Jerry A. Madden

jerry.madden@house.state.tx.us

# Comment #20

Michael Bodaken

National Housing Trust

October 21, 2010

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

**Re: Texas Draft 2011 Qualified Allocation Plan**

Dear Mr. Gerber:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. The National Housing Trust engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 22,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

We are committed to this work because saving affordable housing is the essential first step in addressing our nation's housing dilemma. **Preservation is integral to building and maintaining sustainable, economically vibrant and healthy communities.**

We appreciate the opportunity to comment on Texas' draft 2011 Qualified Allocation Plan. The Trust fully acknowledges and appreciates the entire set of preservation policies and programs established by the Texas Department of Housing and Community Affairs. The comments below refer directly and specifically to TDHCA's draft QAP as it relates to the tax credit program and are in no way meant to imply a lack of appreciation for your other successful preservation programs and policies or the current challenges in the tax credit market.

***In summary, we urge TDHCA to:***

- Maintain the ***15% set-aside for "at risk" developments and continue to prioritize proposals involving preservation and rehabilitation*** of existing multifamily rental housing in the final 2011 QAP.
- ***Direct the allowable 30% basis boost towards the*** preservation of vital at-risk affordable rental properties.
- ***Maintain the incentive points awarded to proposals involving preservation and transit-connected affordable housing.***
- ***Maintain the green building incentives in the final QAP.***

## *Low Income Housing Tax Credits and Preservation in Texas*

Our nation faces a serious shortage of housing for low- and moderate-income families. Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. **Critical affordable housing units are at risk in Texas** (see table). These affordable apartments currently provide homes for some of Texas' lowest-income families and elderly citizens. By prioritizing preservation, Texas' Qualified Allocation Plan can provide the incentives necessary to prevent the loss of this indispensable affordable housing. Property owners, nonprofit organizations, developers, and local governments depend on state housing finance agencies to provide the financial and technical assistance necessary to preserve affordable housing for future generations.

### At-risk properties in Texas

**Project-based Section 8** properties with contracts expiring before the end of fiscal year 2014:
- 36,111 assisted units in 494 properties
- 48% of which are owned by for-profit owners

**Rural Section 515** properties that may be at risk due to high operating costs, low rents and physical deterioration:
- 26,282 units in 788 properties

**In Texas, the Trust estimates that more than 20,128 HUD-assisted apartments may have been lost between 1995 and 2006.**

**In Houston, 58% of federally subsidized housing units within a half-mile of transit may be lost by 2014.**

Preserving and rehabilitating existing housing has proven to be a cost-effective method to provide rental housing to low-income families and seniors. Nationwide, rehabilitation projects require almost 40% less tax credit equity per unit than new construction developments. In addition, preservation prolongs federal investment in affordable housing properties. As such, states around the nation have recognized that preservation is a common sense response to America's affordable housing shortage, and have prioritized preservation and rehabilitation in their QAPs. **Forty-six state agencies prioritize competitive 9% tax credits for preservation by creating set-asides or awarding points to proposals that involve the preservation and rehabilitation of existing affordable housing.** This trend has led to increased preservation each year, with more than 65,000 affordable units preserved nationwide in 2007, a 300% increase from 2000.

The Trust strongly supports TDHCA's efforts to encourage preservation by setting aside 15% of Texas' competitive tax credits for "at risk" developments. Texas' past preservation efforts have been highly successful. **From 2007 – 2009, at least 136 properties with 12,678 apartments were preserved in Texas with 9% and 4% Low Income Housing Tax Credits.** Texas is a leader in the region in prioritizing preservation. **We urge TDHCA to maintain its 15% set-aside for "at risk" developments in the final 2011 QAP.**

### *Preservation is a cost-effective policy*

**In 2009, the per-unit cost of preservation projects in Texas was 28% less that of new construction projects**

## *Addressing the Equity Shortage: New Tools and Resources*

The severe equity shortage that currently plagues the Low Income Housing Tax Credit program nationwide is yet another challenge for affordable housing in general and for preservation in particular. As a Washington DC-based non-profit with an active public policy team, the Trust has been working to untangle the Federal legislation and state implementation of the tools and resources intended to address the problems in the current LIHTC market.

The American Reinvestment and Recovery Act (ARRA) provides significant tools and resources to help housing development partners address the equity shortage. One such resource is the 30% basis boost. As acknowledged in the draft QAP, TDHCA can make appropriate use of an authorized 30% basis boost to ensure that tax credits are allocated to improve the feasibility for projects. **The Trust encourages TDHCA to direct the basis boost towards the preservation of vital at-risk affordable rental properties located in neighborhoods most affected by the current foreclosure crisis or unable to move forward due to the current volatility in the tax credit market.**

ARRA also included a dramatic increase in **Weatherization Assistance Program (WAP)** funding for residential energy efficiency improvements. While acknowledging that single family homes need and should be weatherized, we strongly urge TDHCA to ensure that low income families and seniors in multifamily housing have an opportunity to benefit from weatherization investments. Much of Texas' older multifamily housing -- home to many low and very low income families and seniors -- is energy inefficient and at risk from disrepair.

**We urge TDHCA to target Weatherization Assistance Program funds for use in existing affordable housing pursuing LIHTC allocations.** This approach would be consistent with numerous states – Pennsylvania, Rhode Island, New Jersey, Vermont, Colorado, Wisconsin, Florida, Massachusetts, Ohio, Minnesota and Delaware – where the housing finance agency has worked with the state WAP agency to target multifamily properties with long term affordability restrictions.

### *Affordable Housing Helps Build Sustainable Communities*

The continuing loss of affordable apartments is aggravated by the current foreclosure crisis. The result affects more than just the families residing in at-risk properties or those being foreclosed upon. It destabilizes entire neighborhoods and threatens the sustainability of communities in Texas and across the country. **The renovation of existing affordable housing and the commitment to its long-term affordability not only helps maintain sustainable communities in strong markets, it can also catalyze investment and development in struggling neighborhoods or those neighborhoods most affected by foreclosure.** Preserving existing affordable housing provides an opportunity to reinvest in and improve our communities while protecting historic investments made by federal and state governments.

**The National Housing Trust supports the incentives included in TDHCA's draft QAP for access to community amenities, especially public transportation, as well as for using existing housing in developments supporting Community Revitalization Plans.** By including these points, TDHCA acknowledges that affordable housing is part of well functioning, sustainable communities. The presence of diverse housing options across the income spectrum near transit links, neighborhood amenities, and economic opportunities is a hallmark of vibrant, sustainable communities. We commend TDHCA for including these kinds of incentives in your draft QAP.

### *Benefits of Transit-Connected Affordable Homes*

With the new transportation resources available through the recent economic stimulus bill, and with the understanding that affordable housing is often at risk due to gentrification and redevelopment when transit nodes are created, we urge TDHCA to closely monitor the affect that increasing demand for transit might have on affordable housing in Texas.

**Providing affordable rental housing in areas with access to public transportation is an important strategy for encouraging community vitality, promoting diverse neighborhoods, and ensuring**

**that low-income families have good access to jobs and services.** Because transportation and housing are the two largest expenses for households across the country, it also helps ensure that low-income families are able to fit both of these necessities into their budgets. Rehabilitating existing housing near public transportation and maintaining its affordability prevents low-income families from being forced to move to the suburban fringe and reduces the need for sprawling development, which is likely to offer fewer affordable transportation options. In a recent analysis of federally subsidized housing near transit, the Trust and Reconnecting America found **more than 2,000 privately-owned Section 8 and Section 202 apartments within a half-mile of rail or bus transit in Houston.** 58% of these apartments are at-risk over the next five years as they are covered by contracts expiring by 2014.

**The Trust commends TDHCA for making preservation of existing affordable housing near public transportation a priority for Texas through this proposed QAP.**

### *Preservation is Environmentally Friendly*

State and local agencies are increasingly encouraging, and in some cases requiring, affordable housing developers to adopt green building practices. Using green building strategies, preservation projects can deliver significant health, environmental, and financial benefits to lower-income families and communities. Green technologies promote energy and water conservation and provide long-term savings through reduced utility and maintenance costs, all while providing residents with a healthier living environment and reducing carbon emissions.

**We enthusiastically support the green building incentives included in TDHCA's threshold and selection scoring criteria, and commend TDHCA for including consideration for green building practices, healthy building materials and energy efficient design features in Texas' QAP.**

### *Conclusion*

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the Texas Department of Housing and Community Affairs to continue its support for sustainable communities and the preservation of Texas' existing affordable housing maintaining the set-aside for "at-risk" properties in your final 2011 QAP. I also urge you to continue to encourage the use of green building techniques and materials for rehabilitation and preservation.

Thank you for the opportunity to comment on this important issue in the State of Texas.

Sincerely,

Michael Bodaken

Michael Bodaken
President

Enclosures

# Comment #21

Bobby Bowling IV

Tropicana Building Corporation

**TROPICANA BUILDING CORPORATION**

4655 COHEN AVE • 915-821-3550 • EL PASO, TEXAS 79924

October 22, 2010

Robbye Meyer
TDHCA
VIA e-mail

**RE: COMMENTS ON PROPOSED 2011 QAP, PROPOSED TITLE 10 DEFINITIONS AND PROPOSED 2011 UNDERWRITNG RULES**

Dear Robbye,

We support all the comments submitted by TAAHP in the letter sent to you dated 10/15/10 and signed by Diana McIver.

Additionally, we offer the following comment on the Draft 2011 QAP, to supplement two of the TAAHP comments and two more minor comments:

**Title 10 Definitions:**

Unit of General Local Government: This is a vague and uncertain definition as currently written. The definition refers to a "general purpose political subdivision of the State"—a term which we could not find in a word search of Texas Statutes on the state website. Our suggestion is to add specificity to this definition, not to broaden it. (For example, Chapter 245 of Texas Local Government Code, commonly referred to as the "Vested Rights Statute," uses terms such as "Political Subdivision" and "Regulatory Agency" but then defines each term more precisely.) The old term from the 2010 QAP that the 2011 QAP draft seeks to replace was "Local Political Subdivision"—a term that comes directly from the enabling TDHCA statute, which the Department had pretty clearly defined as of the 2010 version of the QAP. If the Department wishes to include or exclude different entities from the old "Local Political Subdivision" term, then we ask that the definition directly reflect these changes in the language. If the intent is to interpret the same entities as being eligible under this definition and does not intend to make any substantive changes, than we question the need to change this definition and request that the old "Local Political Subdivion" term be reinstituted.

Governmental Instrumentality: Again, we are confused as to the intent of the changing of this definition from the 2010 QAP. There is some very nebulous arranging of the word "the" in this definition that raises the question as to whether or not a "Governmental Instrumentality" can be authorized to transact business for

**TROPICANA BUILDING CORPORATION**

4655 COHEN AVE • 915-821-3550 • EL PASO, TEXAS 79924

*any* Unit of Local Government (or Local Political Subdivision) or *only for "the"* Unit of Local Government (or Local Political Subdivision) that created the Governmental Instrumentality. For example, it appears to us in the current published definition, the El Paso Housing Finance Corporation can ONLY transact business for the City of El Paso—the entity that created the El Paso Housing Finance Corporation. Please express the intent of the Department better in this definition. As applicants, we can adjust to this rule either way; we just want to be clear on what the rule is.

**2011 Draft QAP:**

1. 49.8(a)(14) Supplemental Threshold Reports: The published draft proposing to move the deadline for submittal of these reports from April 1 to March 1, eliminating 30 days of extra time for applicants to submit things such as market studies, appraisals and environmental reports. We appreciate having this extra 30 days after the application deadline and request that the 2010.

2. There is a minor typographical error on page 24 of 106 (49.5(b) ***Credit Amount***), the 4th update of the date from the year 2010 to 2011 is shown as updating the year 2010 to 2012. We assume this is an error, but if it is not, we oppose changing that reference of the year to 2012 and request that it be changed to 2011. (The paragraph has to do with when an award should be counted against a developer for the annual developer cap.)

This concludes our comments for the 2011 draft rules regarding the LIHTC program. Thank you in advance for considering our comments.

Sincerely,

R. L. B. IV

R. L. "Bobby" Bowling IV
President

Comment #22

Veronica Gonzales

State Representative

District 41

The State of Texas
House of Representatives

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VOICE: (512) 463-0578
FAX: (512) 463-1482
E-MAIL: veronica.gonzales@house.state.tx.us

DISTRICT OFFICE:
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VOICE: (956) 686-5501
FAX: (956) 686-7131

Veronica Gonzales
STATE REPRESENTATIVE
DISTRICT 41

October 22, 2010

Michael Gerber
Director, TDHCA
P.O. Box 13941
Austin TX, 78711-3941

RE: 2011 QAP - Preference for Rehabilitation

Dear Director Gerber:

In light of the economic hardship our country is facing today, more and more families are struggling to find affordable housing. The construction industry adds jobs and stimulates the economy along with providing more supply to the decreasing stock of affordable houses. I want to thank TDHCA for your service and creation of affordable housing alternatives and jobs for Texans in need, and want to urge you to look into a more competitive scoring for Housing Tax Credits that will continue all of our efforts to provide housing that Texans can afford.

Currently, the proposed competitive scoring for Housing Tax Credits contains provisions that effectively allow rehabilitation an advantage in potential funding over new construction projects that would increase the amount of affordable homes in Texas. Section 49.9 (13) of the 2011 QAP draft allows rehab projects to receive 6 points, whereas new construction projects can only receive a maximum of 3 points. I ask that the equality of tax credits be reestablished in the revision of the draft QAP in October so that new construction receives parity with rehabilitation projects.

The construction industry is currently experiencing high unemployment rates due to depressed private construction projects. Generally, new construction projects generate substantially more long term jobs that would both put more Texans back to work and also create more opportunity for affordable housing in our State. Local vendors benefit from new construction projects more than rehabilitation projects because the amount of materials needed is greater, stimulating our local economy and helping small businesses right here at home.

Mr. Michael Gerber
October 22, 2010
Page 2

In conclusion, in the interest of increasing jobs and affordable housing in Texas, I ask that TDHCA eliminate the preference given to rehabilitation and give new construction in revitalization areas the equal chance of scoring Housing Tax Credits.

Sincerely,

Veronica Gonzales
State Representative, District 41

cc: Kent Conine

# Comment #23

## Andrew M. Taft

## Downtown Fort Worth, Inc.

23

October 21, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Mr. Conine:

At today's Downtown Fort Worth, Inc. Board meeting, the Board discussed the changes to the QAP requested by Mr. Hal Fairbanks of HRI. As an early community developer of affordable housing (172 unit Hillside mixed income project) in downtown Fort Worth, DFWI is particularly aware of the challenges associated with building below-market residential projects.

Downtown land and construction costs are higher than in suburban locations and the mix of units required by the QAP do not meet downtown markets well. Compounding these issues are the regulatory requirements and intrinsic challenges associated with renovating historic structures. As a result, no new tax credit housing has been added to our downtown in more than 12 years.

This has required those who work downtown and would benefit from the availability of workforce housing to move outside the center city, burdening those who can least afford it with high transportation costs.

Changing the QAP to level the playing field for downtowns relative to bedroom number mix and unit cost will allow tax credits to be employed more flexibly. This will increase the potential for center city locations to serve the workforce and decrease the transportation costs borne by those workers. In addition, the use of affordable housing tax credits will also help bridge the financial gap in the renovation of historic structures.

Recognizing these issues, the Downtown Fort Worth, Inc. Board of Directors voted unanimously to support HRI's request that the QAP be amended to address these barriers to the construction of downtown affordable housing.

Sincerely,

Andrew M. Taft, President
Downtown Fort Worth, Inc.

# Comment #24

Marilyn Hartman

National Alliance on Mental Illness Austin (NAMI)

----- Original Message -----
From: Marilyn Hartman <marilyn.hartman@earthlink.net>
To: tdhcarulecomments@tdhca.state.tx.us <tdhcarulecomments@tdhca.state.tx.us>
Cc: elizabeth.yevich@tdhca.state.tx.us <elizabeth.yevich@tdhca.state.tx.us>; kate.moore@tdhca.state.tx.us <kate.moore@tdhca.state.tx.us>
Sent: Fri Oct 22 13:22:05 2010
Subject: QAP Rules

I am writing about the proposed changes to the QAP rules dealing with Supportive Housing and Tenant Services.

First, I applaud the definition of Persons with Disabilities to include persons with severe mental illness and persons with substance abuse disorders. Should we better define or suggest what the major life activites include, however?

Regarding the Tenant Services, I question who the most likely targeted population is that these rules are being developed for. I believe that it would be single adults, and so the emphasis and high number of points for such things as joint use library center and weekday afterschool programs (with the suggestion of topics such as teen dating violence) seem inappropriate (Items A and B). For the disability of serious mental illness, whose adult constituents sorely lack housing and appropriate support services, the emphasis should be on case management (increase related points) that ensures medication compliance/management (I don't see that on the list), transportation to medical/psychiatric appointments (C may not need to be daily, but available as needed), hygiene and food issues (expansions to the ideas in S and T, and the health, exercise and nutrition items E, I, J, N, and less important K), and perhaps counseling (D). Beyond those basics, the educational components for adults such as GED/Scholastic tutoring (F and L) and English as a second language (G) and job skills training (I don't see that listed) would help prepare/move people into jobs. Other "extra-curricula" activities that add balance and meaning to anyone's life would be nice offerings. These would include O, Q, and R (although it may be too ambitious and costly to assume monthly opportunities for Q and R; perhaps quarterly instead).

Given the income level of the targeted population (with SSI or SSDI), financial planning (H) and annual income tax preparation (P) should be de-emphasized. Notary Public services (M) can be helpful, however.

Marilyn Hartman
NAMI Austin (National Alliance on Mental Illness, Austin affiliate)
512-327-8318 (H)
512-470-7840 (Cell)

Comment #25

Belinda Carlton

Texas Council for

Developmental Disabilities

**From:** Carlton, Belinda [mailto:Belinda.Carlton@tcdd.state.tx.us]
**Sent:** Monday, October 18, 2010 2:22 PM
**To:** Elizabeth Yevich
**Subject:** Comments on Draft Definition for Housing Program Activities

Date: October 18, 2010

To: elizabeth.yevich@tdhca.state.tx.us

From: Texas Council for Developmental Disabilities

Re: **Draft Definitions for Housing Program Activities Rule**

Thank you for allowing the Texas Council for Developmental Disabilities (TCDD) to provide comments on the 2011 DRAFT **State of Texas Consolidated One-Year Action Plan.**

TCDD is established by federal law in the Developmental Disabilities Assistance and Bill of Rights Act and consists of a 27 member board, appointed by the Governor, 60% of who are individuals with developmental disabilities or family members of individuals with disabilities. Other council members represent various state agencies that provide services to people with significant disabilities. The Council's purpose in law is to encourage policy change so that people with disabilities have opportunities to be fully included in their communities and exercise control over their own lives.

The proposed changes to Title 10, Part 1, Chapter 1, Subtitle 1, Definitions proposes new language for definition of disability: ***(39) Persons with Disabilities***~~*—A person who:*~~*--With respect to an individual: (A) a physical or mental impairment that substantially limits one or more major life activities of such individual; (B) a record of such an impairment; or (C) being regarded as having such an impairment, to include persons with severe mental illness and persons with substance abuse disorders.*

**TCDD recommends that the definition of disability be consistent with federal and state law by ending the definition at the word impairment and striking ~~to include persons with severe mental illness and persons with substance abuse disorders.~~**

Under current federal and Texas state law individuals with severe mental illness are included under "mental" impairment. The inclusion of a person with a substance abuse disorder as a person with a disability has no precedent in law:

**1.** The definition in the Fair Housing Act, **Sec. 802. [42 U.S.C. 3602]:**

*(h) "Handicap" means, with respect to a person-- (1) a physical or mental impairment which substantially limits one or more of such person's major life activities, (2) a record of having such an impairment, or (3) being regarded as having such an impairment, but such term does not include current, illegal use of or addiction to a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802).*

2. Of equal importance, no other federal or state statute could be found that includes substance abuse in the definition of disability:

· A compendium of federal definitions of disability prepared by the Interagency Committee on Disability Research in July 2003 identified 41 federal statutory definitions of disability. None included, and most specifically excluded substance abuse as a disability. http://www.icdr.us/documents/definitions.htm

3. A query to the Texas Governor's Office of People with Disabilities responded that the definition of disability in state statutes takes on the same meaning as the ADA gives it, however, in the two examples below, depending on the Department or services, some additional information is added.

*a.* Human Resources Code, Title 2. Department of Human Services and Department of Protective and Regulatory Services, Subtitle C. Assistance Programs, Chapter 35. Support Services for Persons with Disabilities *(8)"Person with a disability" includes a person who has a physical or mental impairment that substantially limits one or more major life activities or has a record of such an impairment. This term does not include an individual whose impairment is a communicable disease; and*

*b.* Human Resources Code, Title 8. Rights and Responsibilities of Persons with Disabilities, Chapter 122. Texas Council on Purchasing from People with Disabilities *(5) "Disability" means a mental or physical impairment, including blindness, that impedes a person who is seeking, entering, or maintaining gainful employment.*

Substance Abuse Disorders include current users of illegal drugs: According to the mental health clinician's handbook, *Diagnostic and Statistical Manual of Mental Disorders*, fourth edition text revised (*DSMIV-TR*) substance use disorders include "intoxication, withdrawal, and various mental states, anxiety, mood disorder, etc.) that the substance induces when it is used." Therefore, a substance abuse disorder means the person could be in recovery or could be a current user of illegal drugs. It seems evident that the framers of the Fair Housing Act, the Americans with Disabilities Act and other federal and state statutes excluded substance abuse for this fact, if no other reasons.

Thank you for consideration of these comments.

**From:** Carlton, Belinda [mailto:Belinda.Carlton@tcdd.state.tx.us]
**Sent:** Monday, October 18, 2010 2:22 PM
**To:** Elizabeth Yevich
**Subject:** Comments on Draft Definition for Housing Program Activities

Date: October 18, 2010

To: elizabeth.yevich@tdhca.state.tx.us

From: Texas Council for Developmental Disabilities

Re: **Draft Definitions for Housing Program Activities Rule**

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Thank you for consideration of these comments.


Belinda Carlton

Public Policy Specialist

***Texas Council for Developmental Disabilities***

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*TCDD is on Twitter and Facebook*

Comment #26

Bryan Hughes

State Representative

District 5

# TEXAS HOUSE OF REPRESENTATIVES

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Committees:
Vice Chair, Judiciary
Human Services

Vice Chair, Rural Caucus

# BRYAN HUGHES

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October 22, 2010

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, Texas 78711

Dear Mr. Gerber:

I am writing regarding the proposed 2011 Qualified Application Plan and Rules for low income housing tax credits. Specifically, I have some concerns about preference given to rehabilitation projects over new construction developments.

In reviewing the proposed rules for 2011, it appears that rehabilitation projects are given preference over new construction developments. It seems to me that taxpayers and low income Texans are not benefitted by awarding more points to an application that seeks to rehabilitate existing homes (which can be more complex and time consuming) over new construction developments (which have the potential to save time while increasing the number of affordable homes in Texas). I know there are many factors to consider in awarding tax credits, such as project cost, local needs, and quality of the development; however, as your agency works to make the best use of limited tax dollars, I feel strongly that you should consider rules that do not unfairly and artificially make one type of project more attractive than another. Ultimately, the most fair system is one that treats new construction and rehabilitation projects the same.

I appreciate the work your agency and Board have done to incorporate public comments in your rulemaking process. Thank you for your consideration of my thoughts. If you have any questions, or if I can be of any help to you, please let me know.

Sincerely,

Bryan Hughes

Bryan Hughes

# Comment #27

Jean Latsha

National Farm Workers Service Center, Inc.

**From:** Jean Latsha
**To:** "Teresa Morales";
**Subject:** 2011 QAP comments
**Date:** Friday, October 22, 2010 4:42:34 PM

Teresa,

I apologize for not submitting something more formal (or earlier), but please accept this email as comments to the 2011 draft QAP.
I believe you received a letter from Kathy Tyler at Met requesting that language be added to 49.8(a)(5)(c)(3)(N) regarding affirmatively marketing to farm workers as well as veterans. We support those comments and would also like to see the addition.
Also, I just want to say thank you for changing the scoring for GED preparation and ESL classes in the draft. Thank you, and have a great weekend.

Jean Latsha
National Farm Workers Service Center, Inc.
Rufino Contreras affordable Housing Corp, Inc.
PO Box 684162
Austin TX 78768-4162
ph. 512-519-9444
fax 512-519-9774

Comment #28

Cynthia Bast

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cbast@lockelord.com

**Memorandum**

Date: October 23, 2010

To: Texas Department of Housing and Community Affairs

From: Cynthia L. Bast

Subject: **Definitions for Housing Program Activities**
Texas Administrative Code, Title 10, Part 1, Chapter 1, Subchapter A, Section 1.1

Thank you for the opportunity to provide comment on the proposed Definitions for Housing Program Activities. Please see below.

(1) **Adaptive Reuse**. You may want to include "hotels" in the parenthetical. Hotels are prime candidates for adaptive reuse and, from time to time, we are asked to confirm whether hotels are considered "non-residential." Including this in the definition would eliminate any questions.

(9) **Colonia**. Please note you have capitalized the word "Area", and it is not a defined term.

(11) **Control**. Please see my comments on the term "Principal" below. I believe the definition of Control should be consistent with the definition of Principal. For instance, the definition of Control says that Controlling entities are general partners but not investor limited partners. You don't reference special limited partners in this definition at all, but you do reference special limited partners in the definition of Principal. It is critical that these definitions be consistent to avoid confusion as they are applied.

(12) **Development Owner**. To simplify, I recommend you remove the reference to a "General Partner" because that concept is already incorporated in the word "Affiliate."

(22) **Governmental Entity**. For clarity, I believe you should refer to "federal, state, <u>or local</u> agencies . . . . "

(30) **Unit of General Local Government**. Note this definition is placed out of alphabetical order. For ease of reference, you may want to move it to the appropriate location.

(40) **Principal**. This definition has become increasingly important, especially because all Principals are now defined as Affiliates. The concept TDHCA is trying to capture is someone who has Control over an enterprise. As drafted, the definition of Principal goes beyond that concept. I recommend the definition be changed as follows:

> **Principal--**The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:
>
> (A) Partnerships, Principals include all General Partners and Special Limited Partners (other than Special Limited Partners created by a partner providing tax credit syndication equity) and individuals Controlling such General Partners and Special Limited Partners;
>
> (B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, each stock holder having a 10% or more interest in the corporation, and any individual Controlling such stock holder; and
>
> (C) Limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company, any individual Controlling such members, or any officer authorized to act on behalf of the limited liability company.

As to paragraph (A), there are often two kinds of special limited partners in a tax credit limited partnership. The first kind of special limited partner is often an affiliate of the developer or guarantor who takes an ownership position in the partnership to be have certain approval rights and, sometimes, to receive economic allocations. Given the relationship this entity has to the development team, I believe TDHCA wants it to be included. The other kind of special limited partner is one created by the tax credit syndicator. The purpose of this special limited partner is often to be a placeholder for the syndicator, to be available to step into the shoes of the general partner in the event of the general partner's removal. Since TDHCA excludes tax credit syndicators from the $2 million cap, I believe TDHCA intends to exclude tax credit syndicators from the definition of "Principal" as well.

Further as to paragraph (A), you don't want to use the defined term "Principal" as part of the definition itself. I think it is more clear to indicate the Persons TDHCA is trying to capture are the individuals Controlling the entity. This same concept applies in paragraphs (B) and (C).

(42) **Qualified Allocation Plan**. Note the word "Board" is a defined term but is not capitalized in this definition. Note the phrase "Third Party" is a defined term but is not capitalized in this definition.

(44) **Reconstruction**. Why must the reconstruction be for an equal number of Units? It seems there could be numerous situations where this would be infeasible. For instance, the developer could be replacing an abandoned elderly complex having 1- and 2-bedroom units with a family complex that includes 3-bedroom units. This may be an appropriate purpose and property use that is unnecessarily restricted as the definition is currently drafted.

(45) **Rehabilitation**. Note the word "Reconstruction" is a defined term but is not capitalized in this definition.

(52) **Third Party**.

**Third Party--**A Third Party is a Person who is not:

**(A)** An Applicant, General Partner, Developer, Consultant or General Contractor; or

**(B)** An Affiliate or a Related Party to the Applicant, General Partner, Developer, Consultant or General Contractor;

and who is not receiving any portion of the fees from the Development.

I recommend this change because, otherwise, the definition could capture service providers like accountants or lawyers who receive fees from the Development as part of their services. Those parties need to fit within the realm of Third Parties.

Feel free to contact me if you have questions about these comments.

Thank you.

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**Memorandum**

Date: October 23, 2010

To: Texas Department of Housing and Community Affairs

From: Cynthia L. Bast

Subject: 2001 Draft Qualified Allocation Plan

Thank you for the opportunity to provide comment on the proposed 2011 Qualified Allocation Plan. Please see below.

**Table of Contents**. This needs to be regenerated for accurate page numbers and section references.

**§ 49.3 *Program Calendar.***
For the dates of 11/1/2011, 7/1/2012, and 12/31/2013, you may want to include "(Competitive HTC Only)" for consistency.

**§ 49.4(a)(9) *Ineligible Applicants, Applications and Developments.***

This section is problematic from a structural standpoint as well as a substantive standpoint. See the text below:

(a) Ineligible Applicants. An Applicant is ineligible if any Applicant, Development Owner, Developer or Guarantor involved with the Application:

(9) If the Developer or Principal of the Applicant has been voluntarily or involuntarily removed by a lender, equity provider, or any other owners or investors, however designated, or any combination thereof or if any litigation to effectuate such removal ~~is~~ has been instituted and is continuing at the time of Application, the Department shall be promptly notified by the Applicant. The Applicant will provide the Department staff with such information as it may reasonably request to evaluate the facts and circumstances surrounding such actual or threatened removal and prepare a report to the Executive Director. The information considered and addressed in the report will include, but not be limited to those identified in subparagraphs (A) - (C) of this paragraph. The Executive Director will make a determination, based on the report, whether facts and circumstances are present that would support the institution of formal debarment proceedings. Any debarment under this provision shall be for a period that will not exceed five (5) years. No person shall be debarred except by formal action taken by the Department's Governing Board.

(A) Whether the Developer or Principal has invested more of its financial resources in the Development than it has received from or in connection with the Development;

(B) Whether such Developer or Principal had the ability to address the facts and circumstances that ultimately led to actual or threatened removal by other means or whether uncooperative parties or other facts and circumstances beyond its control prevented any other such resolution; and

(C) The contributing or causative effect of circumstances beyond such Developer's or Principal's control, such as significant changes in market conditions.

First, see the text highlighted in yellow. The opening paragraph of this section says it applies to any Applicant, Development Owner, Developer, or Guarantor. Then, subsection (9) says it applies to any Developer or Principal of the Applicant. This presents grounds for confusion, and TDHCA should be very clear about the parties to whom this provision applies. It may be better to set off this section as its own provision, rather than trying to incorporate it into a laundry list of other grounds for ineligibility.

The term "promptly notified" is vague. TDHCA should structure this requirement so that the Applicant is required to submit a certificate at the time of Application that these conditions exist or not. Then, the Applicant should be required to notify TDHCA of any change in that accuracy of that certification in the same way it is required to notify TDHCA of any other changes in its Application. While I believe this is the intent, it is not clearly presented this way in the QAP language.

The investigation as to removal issues should be limited in time and in scope. It should be limited to removals only within the past five years and only for properties that are restricted as to rents and incomes (affordable). Market rate properties are an entirely different kind of real estate, and prior experience with market rate properties may not be relevant to performance with regard to tax credit properties. You should also consider limiting the investigation as to removal issues for properties in Texas only. Some developers work on transactions all over the country. It would be more difficult for TDHCA to investigate a removal in another state because TDHCA does not have relevant knowledge of markets and other conditions in that state. Finally, the investigation should be conducted only for removals that have occurred during a tax credit compliance period and within five (5) years prior to the date of the Application.

I recommend considering one other factor in the investigation, as follows:

(D) The compliance history of the Development during the time of the Developer's or Principal's involvement.

Since this penalty involves debarment, I believe it would be helpful to cross-reference the Department's rules regarding the debarment list. Applicants should be able to access one source to explain how referrals for debarment are done, what appeal rights are available and what, if any, other consequences are associated with debarment.

***Please note that this comment is also submitted on behalf of and with the support of G.G. MacDonald, Inc.***

**§ 49.4(b)** ***Ineligible Applicants, Applications and Developments.***

This section is also confusing in structure. At the beginning, it refers to inclusion on the debarment list if any of the following conditions exist. Section (11) refers to an application where more than 50% of the Developer Fee is deferred. This does not seem to be appropriate for a section with regard to ineligibility and possibly debarment. Perhaps it is more appropriate for the section regarding satisfaction of threshold criteria. Moreover, Applicants would want to be able to appeal TDHCA's conclusion that more than 50% of the Developer Fee is deferred.

Another element that makes this section somewhat confusion is the use of different defined terms again. Sometimes it refers to an "Applicant, Development Owner, Developer, Guarantor, or anyone with a Controlling interest." Sometimes it refers to an "Applicant, Development Owner, Developer, Guarantor, or Affiliate." There should be consistency in the application of ineligibility. When one party is included or excluded from the ineligibility consideration, it should be for a specific reason. I recommend TDHCA look at these sections very carefully and think about which defined terms should be used in which circumstances. You have a lot to choose from.

**§ 49.5(b)** ***Credit Amount*.**

Subsection (E) is unclear. What does it mean to "provide or support the Applicant's financial capacity"? This sounds like a Guarantor. If it were so interpreted, the section would be internally inconsistent because it says initially that Guarantors are included in the $2 million cap and then (E) would purport to exclude them.

**§ 49.9(a)(14)(C)** ***Selection Criteria; Pre-Application Incentive Points*.**

This section, as revised, indicates that the Principal(s) who signed the land purchase contract at the time of pre-application must be the same Principal(s) participating in the Application. In a situation where an entity has more than one Principal, it is not clear if only one Principal must stay the same or if they must all stay the same. Further, it is not clear whether all the Principals must sign the land purchase contract for the parties to be able to make this certification.

Let's assume a general partner is comprised of three principals -- a President, Vice President, and Secretary. Only one of those three people is required to sign a contract on behalf of the general partner to legally bind the general partner and its partnership. Thus, if the President signs (as he is lawfully authorized to do), the Vice President and Secretary would not be able to certify at the time of Application that they signed the land purchase contract and, therefore, are the "same Principal(s)" who signed the land purchase contract.

Alternatively, using this same example, in the time period between pre-application and Application, the Vice President could resign his office, but the President and Secretary may stay the same. Does this qualify for TDHCA's criteria?

The only true way for TDHCA to know it is working with the same team as between the time of pre-application and Application is to require an organizational chart in <u>both</u> stages of the application process and compare the two. While I understand the intent behind this new language, I think it may not be specific enough to give appropriate direction to the Applicants.

**§ 49.13(b)(1)** ***Amendments.***

The requirement for an attorney's preparation of the amendment is too onerous and cost-prohibitive. Some amendments are very straightforward and can be prepared by the Applicant. If the Applicant believes an attorney's assistance is required for the amendment, it should be able to make that decision itself. It should not be compelled by the Department to do so.

**§ 49.13(b)(2)** ***Amendments*****.**

Requiring an amendment to be submitted at least 45 days prior to a Board meeting may create problematic construction delays for properties that need to make a change while in the construction phase. The timeframe should go back to 30 days.

# Comment #29

Barry Palmer

Coats Rose

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BARRY J. PALMER

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October 22, 2010

Ms. Teresa Morales
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Teresa:

In connection with the draft 2011 Qualified Allocation Plan, I would like to submit the following comments, which are ordered in accordance with their appearance in the 2011 QAP:

1. Ineligibility Due to Voluntary or Involuntary Removal - We were concerned that the proposed QAP appears to punish a developer who has fallen upon difficult times as a result of the current economic downturn and has chosen to withdraw from a development. The initial draft 2011 QAP made a principal who involuntarily or voluntarily was removed from a project ineligible to participate in the Housing Tax Credit Program for a period of five years. The most recent version of the draft 2011 QAP has changed this to provide a review process that might result in ineligibility, but only through Board action. We support this change. We note, however, that at a recent Board Meeting, Chairman Conine specifically went on record stating that a voluntary sale of the developer's interest should not trigger this provision. Accordingly, we recommend: (i) that the term "voluntarily" be removed from the provision; (ii) that there be added a specific statement that the sale of a developer's interest in the development does not trigger this provision; and (iii) that some language be inserted immediately prior to provisions (A) – (C) that indicates that the Executive Director and the Board shall take the following specified circumstances into consideration in the review. [§49.4(a)(9) on page 19 of blackline]

2. Downtown Living Should Not be Ineligible – Downtown and Central Business District urban markets reflect a specific cliental which consists primarily of single adults, single parent households, couples without children or with pre-school children, and empty nesters. These households are in the market for one and two bedroom units. Under the 2011 QAP, affordable housing appropriate for these households cannot be built without having at least 15% of the development devoted to three or four bedroom units. This is not what the market dictates. We recommend that projects located in a locally defined

Central Business District or a Downtown Development District be exempted from the definition of Ineligible Developments. [§49.4(c)(8) on page 22 of the blackline]

3. Proration of Credit Ceiling - We recommend returning to the 2009 QAP provisions concerning proration of the credit cap between joint venturers where one developer is experienced and one is inexperienced, and to permit proration of the credit cap based upon the developer fee split in instances where there are joint ventures between two experienced developers. We are seeing situations where the project requires the financial backing and guarantees of more than one developer, and it seems only fair that in such situations the credit cap should not be allocated in whole to both of the developers. The language proposed by TAAHP would be a good expression of this recommendation. [§49.5(b) on page 24 of blackline]

4. 2010 Rent Level Selection Criterion Should be Maintained. - We are finding that many affordable developments are having difficulties dealing with rising costs. We recommend that the 2011 QAP not encourage applicants to limit rents so severely that the fiscal viability of the project is endangered. Please retain the 2010 QAP provisions for the Rent Level Selection Criterion. [[§49.9(a)(7) on page 67 of the blackline]

5. Calculation of Price Per Square Foot as a Selection Criterion -- Developers who work in urban areas where land costs are high frequently need to use mid-rise buildings with elevators and structured parking garages in their projects. Likewise, historic preservation projects have higher than usual construction costs. The increased costs places these kinds of projects at a major disadvantage in staying under the maximum cost per square foot permitted for Selection Points. We recommend that for the purpose of Selection Points, the cost per square foot be calculated using only costs permitted as eligible basis on the Development Cost Schedule and excluding all indirect construction costs. We request that historic preservation projects which separately reference costs that will be financed with the proceeds of historic tax credits, and will not be claimed as tax credit basis, be permitted to disregard such separately referenced costs in calculating the price per square foot for Selection Points. [§49.9(a)(8) on page 68 of blackline]

Thank you for the opportunity to provide these comments. If you have any questions concerning them, please do not hesitate to call.

Very truly yours,

Barry Palmer

cc: Mike Gerber
Tom Gouris
Robbye Meyer
Raquel Morales

# Comment #30

# Texas Supportive Housing Coalition

# Statement in Support of
# the TDHCA Sunset Advisory Commission Staff Report:
# Change the QAP Point System for Community Participation

Submitted by the Texas Supportive Housing Coalition
October 20, 2010

**Background**: The Texas Supportive Housing Coalition (TSHC) is a coalition of supportive housing and service providers, advocates, and funders seeking to increase the visibility and resources for the creation of more supportive housing developments to prevent and end homelessness in the State of Texas.

The federal Low Income Housing Tax Credit (LIHTC) program is the most important resource for affordable housing in Texas. Supportive housing developers face enormous challenges securing these tax credits because of a Texas statute requiring the Texas Department of Housing and Community Affairs to rely on letters from neighborhood organizations as part of the State's scoring system for tax credits, the Qualified Action Plan (QAP). The neighborhood letters are weighed more heavily than all other areas, other than a project's financial feasibility.

The recently released Sunset Advisory Commission Staff Report recommends giving points for letters from local governments (city council or county commissioners) instead of neighborhood organizations. TSHC strongly supports this recommendation. Making this change will allow supportive housing developments to more successfully compete for tax credits and thus open up opportunities to create more high quality housing for those who need it the most in Texas. We recognize that changing the QAP scoring policy requires legislative action and want to highlight how important it is for TDHCA and other stakeholders to support this change:

**Issue 1: The QAP point system for community support obstructs and often bars the development of high quality supportive housing.**

- The QAP process affords a "virtual veto power" to neighborhoods, and, "because the community knows they wield this lever, they don't even sit around the table and negotiate…they just say 'no."[1] The neighborhood support letter policy continuingly results in defeat after defeat of high quality and badly needed supportive housing developments.
- The tax credit application process is poorly structured to provide developers with the extensive time it takes to work with neighborhood residents and educate them about the future residents and the project.
- Texas is unique amongst large states in providing this type of veto power to neighborhood organizations in the award of federal Low Income Housing Tax Credits.[2]
- Neighborhoods often support projects once they see a best practice example of a similar supportive housing development, but examples of such projects in neighborhoods are few and far between, as a result of the current QAP process halting the production of units.

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[1] Dexheimer, Eric. (2010, Oct. 16). Investors form neighborhood groups to help get public financing for housing. *The Austin-American Statesman.* Retrieved from http://www.statesman.com/news/statesman_focus/investors-form-neighborhood-groups-to-help-get-public-976298.html

[2] Sunset Advisory Commission. *Sunset Staff Review of the Texas Department of Housing and Community Affairs*, September 2010, p. 26, available at http://www.sunset.state.tx.us/82ndreports/dhca/dhca_SR.pdf Accessed: 20 Oct. 2010.

**Issue 2: The QAP point system for community support raises serious fair housing issues.**

- The QAP point system places supportive housing developments at an unfair disadvantage for getting approval, given the heightened prejudices and discriminatory biases that community members often have against supportive housing clients: persons with disabilities and low-income persons of color. The point system fails to take into account these discriminatory biases.
- The point system has made it more difficult to build supportive housing developments in high opportunity neighborhoods, in contrast to developments serving seniors, and has resulted in an over-concentration of tax credit units in low-income, minority neighborhoods.[3]

**Issue 3: The QAP point system for community support uses a flawed and inaccurate method for gauging local support and interests.**

- According to the Sunset Advisory Commission Staff Report, the neighborhood support process is flawed and often relies on inaccurate letters. Each tax credit cycle, TDHCA must confront numerous issues about the legitimacy of neighborhood organizations weighing in on tax credit applications.[4]
- Neighborhood organizations allowed to weigh in vary widely in size (anywhere from 2 individuals to 18,000 households), yet all receive the same weight under the QAP.
- Regions with no letter submissions—of support or opposition—still receive points.
- Leaders of local government are more accountable, are representative of the community as a whole, are more educated about fair housing issues, and can better balance all the different community interests—including not only neighborhood issues but also the need to provide quality housing for community residents with disabilities. As the Sunset Staff Report found, neighborhood letters “do not always reflect local interests and are regularly contested.”[5]

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[3] Dexheimer, Eric. (2010, Oct. 16). Investors form neighborhood groups to help get public financing for housing. *The Austin-American Statesman.* Retrieved from http://www.statesman.com/news/statesman_focus/investors-form-neighborhood-groups-to-help-get-public-976298.html

[4] Sunset Advisory Commission. *Sunset Staff Review of the Texas Department of Housing and Community Affairs*, September 2010, p. 27, available at http://www.sunset.state.tx.us/82ndreports/dhca/dhca_SR.pdf Accessed: 20 Oct. 2010.

[5] Dexheimer, Eric. (2010, Oct. 16). Investors form neighborhood groups to help get public financing for housing. *The Austin-American Statesman.* Retrieved from http://www.statesman.com/news/statesman_focus/investors-form-neighborhood-groups-to-help-get-public-976298.html

Comment #31

Charlie F. Howard

State Representative

District 26

# Charlie F. Howard

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OCT 22 2010
EXECUTIVE DIRECTOR

The State of Texas
House of Representatives

October 20, 2010

Texas Department of Housing and Community Affairs
Michael Gerber, Executive Director
P.O. Box 13941
Austin, Texas 78711-3941

**RE: 2011 QAP - Preference for Rehabilitation**

Dear Director Gerber,

In the economic hardship our country is facing today, more and more families are struggling to find affordable housing. The construction industry adds jobs and stimulates the economy along with providing more supply to the decreasing stock of affordable houses. I want to thank TDHCA for your service and creation of affordable housing alternatives and jobs for Texans in need, and want to urge you to look into a more competitive scoring for Housing Tax Credits that will continue all of our efforts to provide housing that Texans can afford.

Currently the competitive scoring for Housing Tax Credits contains provisions that effectively allow rehabilitation an advantage in potential funding over new construction projects that would increase the amount of affordable homes in Texas. Section 49.9(13) of the 2011 QAP draft allows rehab projects to receive 6 points, whereas new construction projects can only receive a maximum of 3 points. I ask that the equality of tax credits be reestablished in the revision of the draft QAP in October so that new construction receives parity with rehabilitation projects.

The construction industry is currently experiencing high unemployment rates due to depressed private construction projects. Generally, new construction projects generate substantially more long term jobs that would both put more Texans back to work and also create more opportunity for affordable housing in our state. Local vendors benefit from new construction projects more than rehabilitation projects because the amount of materials needed is greater, stimulating our local economy and helping small businesses right here at home.

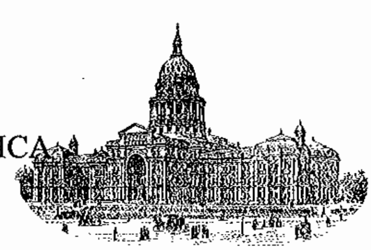
In conclusion, in the interest of increasing jobs and affordable housing in Texas I ask that TDHCA eliminate the preference given to rehabilitation and give new construction in revitalization areas the equal chance of scoring Housing Tax Credits.

Best Regards,

Charlie Howard

Charlie Howard

cc: C. Kent Conine, Chairman TDHCA



# Comment #32

John Henneberger

Texas Low Income Housing Information Service

# Texas Low Income Housing Information Service

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512-477-8910 • john@texashousing.org


October 23, 2010

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

RE: Comments on the proposed 2011 Texas Qualified Allocation Plan

Dear Ms. Meyer:

We offer these recommendations regarding the Draft 2011 State of Texas Qualified Allocation Plan (QAP) for allocation of Low Income Housing Tax Credits (LIHTC) published in the September 24, 2010 Texas Register.

The QAP is the adopted process for reaching the goals and fulfilling the responsibilities of the state, the department, and of the Low Income Housing Tax Credit Program. While the proposed language generally represents incremental improvements from the 2010 QAP, the state can do better.

Our primary concern regarding the proposed 2011 QAP:

1) **The draft rules position the state to continue to fail to affirmatively further fair housing through this program.**
    a. High Opportunity Area points are diluted with points for a financing-oriented goal.
    b. Proposed changes to 30% boost fail to improve targeting of boost
    c. Quantifiable Community Participation points are skewed against high opportunity areas

In addition, we have general comments and recommendations regarding the proposed language:

2) Income and Rent Level changes represent an incremental improvement
3) Signage requirement language is an incremental improvement
4) Limits to Deferred Developer Fees are anti-competitive
5) Fire sprinkler requirements should be universal
6) Extend Marketing requirements to Farmworkers
7) Elected official letters should be held to AFFH standard
8) The QAP should require the use of independent market analysts and appraisers
9) The quality of tenant services varies widely among developments with many tenant services being of poor quality.

10) At risk developments should focus on loss of affordability of quality units, not loss of subsidy.
11) Required Rehab levels are inadequate
12) NIMBY forces, rules and state statutes are having a negative effect on the family unit/elderly unit mix (reducing the former, increasing the latter).
13) Failure to return tax credits should bar developer from future transactions.

These areas of comment are discussed below.

## 1) The draft rules position the state to continue to fail to affirmatively further fair housing through this program

### a. High Opportunity Area location points are diluted with points for a financing-oriented goal

High Opportunity Area location points at have been made interchangeable with points for "documented and committed Third-Party funding sources" for developments located outside of a QCT. This dramatically undercuts the effectiveness of the High Opportunity Points by diluting them with a financing-oriented goal. We are already concerned that a sufficient number of developments are not being constructed in non-minority majority and high opportunity neighborhoods, and this works against that goal.

Financing points such as this should be assigned to a separate category of points, perhaps incorporated in the scoring of "financial feasibility. We also suggest making the available points for areas with low poverty, high area median-family income, and access to high performing schools ***additive***, rather than ***exclusive*** (i.e. applications should be eligible for low-poverty AND high-income AND exemplary school points, not low-poverty OR high-income OR exemplary school points).

### b. High Opportunity Area Boost is not structured to maximize impact

The draft language removes the 30% boost for access to exemplary or recognized schools. We believe this language should be reinstated and updated to exclude magnet schools, matching the proposed language in section 49.9.a.16.B.

The High Opportunity Area boost remains for *"Developments in census tracts which have an Area Median Gross Income that is higher than the Area Median Gross Income of the county or place in which the census tract is located."* This definition is too broad-- fully 46% of Texans live in areas meeting the eligibility for this boost.

**We recommend reserving the boost for high-income areas for developments in areas with a meaningfully higher than average income.** We suggest using a more narrow definition of high opportunity area: *developments constructed in a census tract in the top* *quartile (when ranked by AMFI) of tracts in the county in which it is constructed.* If the points in 49.9.a.16 are not made additive, this definition should extend to the higher-income area points in that section as well.

**c. Quantifiable Community Participation points are skewed against high opportunity areas**

The Quantifiable Community Participation (QCP) section language has been changed to remove the explicit assumption that the failure of an existing neighborhood organization to provide a letter is a neutral response and scored as a neutral response. Given that our research suggests that, on average, higher-opportunity areas are less likely to provide such a letter, this suggests that developments located in higher-opportunity areas be, on average, penalized by this point structure.

We suggest scoring all applications with an assumption of support unless a negative letter is received, and meaningfully defining and enforcing the provision that “Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law or the scoring of which the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered” when evaluating negative letters.

The State has a duty to consider the extent to which QCP is an impediment to fair housing and to discount those comments that have the effect of acting as an impediment. For example, a claim of school overcrowding is directed against families with children (a protected class under fair housing). The instructions for commenters should include a statement that the state is under an obligation to Affirmatively Further Fair Housing and that QCP letters that urge or demonstrate an act that would amount to a prohibited act under the fair housing act cannot be considered. The stats should provide examples of such statements to commenters. The State should also limit the scoring of negative points to letters which address specific concerns regarding the specific proposed development at that location, and not concerns regarding the LIHTC program in general.

While the Fair Housing impacts of the QAP are our primary concerns with the proposed language, the QAP addresses all aspects of the program. We address these other aspects below:

## 2) Income and Rent Level changes represent an incremental improvement

An inadequate number of units affordable at less than 40% median family income have been created under the LIHTC program under previous QAPs.

We support staff's recommendation regarding the Income and rent level scoring (§49.9(a)(7)). This proposal represents a carefully balancing of the competing incentives for gross rent and income targeting, and encourages deep targeting of units at residents earning 30% or less of AMFI. Given the severe unmet housing need in the state's Extremely Low Income population, the relative scoring of 30% and 50% units is an important factor in the state's QAP.

We encourage the state to maintain feasible income targeting, and discourage the board from attempting to re-calculate the optimal relative points on the fly during the November board meeting. Either adopt this language or return to the 2010 status quo.

### 3) New signage requirement represents an incremental improvement

The signage requirements of the 2010 QAP implicitly endorsed the viewpoint that developments funded through the LIHTC program are a public hazard, acting effectively as a "warning label" that encouraged NIMBY opposition to project placement. Such opposition has a negative effect upon site selection and the family unit/elderly unit mix, discouraging development in high opportunity areas and discouraging family-oriented developments.

We support the proposed change of the required language in the signage requirements in the draft 2011 QAP. The proposed language (the sign must identify that a residential development is being proposed" is more neutral than the previous language and represent an improvement over the status-quo.

Nevertheless, the signage requirement in the QAP does not appear to be statutorily required, and retains the possibility of adversely affecting the state's progress towards affirmatively addressing fair housing. Developments receiving LIHTC funding should be held to the same notification standards as other residential developments. **Any public notice provisions not required by state law should be struck from the QAP.**

### 4) Limits to Deferred Developer Fees are anti-competitive

The discussion of these rules at the September 9, 2009 board meeting included comments proposing that a limit be placed on deferred developer fees to "rehabilitat[e] the balance sheets of the developers."

We strongly disagree with such a proposal, which amounts to the department setting a floor on the risk to developer fees. This proposal is anti-competitive and threatens to sacrifice unit affordability to keep a handful of developers from making a bad financial decision.

A blanket proscription of fee deferral is the wrong tool to address a concern regarding financial feasibility. The right way to deal with developers who over-promise is through underwriting.

## 5) Fire sprinkler requirement should be universal.

The Draft 2011 QAP moves sprinkler systems from a scored amenity to a threshold item, but adds language limiting the applicability to "where required by local code." This limitation makes the requirement superfluous.

TDHCA has an interest in protecting the lives of the residents of multifamily properties built in the Low Income Housing Tax Credit Program wherever the development is located. Extensive data demonstrates that fire-suppression system saves lives. We recommend the phrase "where required by local code" be struck.

## 6) Extend marketing requirements to Farmworkers

We recommend including farmworkers in Section (3)(N) by altering the language to read "A certification that the Development Owner will affirmatively market to veterans <u>and farmworkers (as defined by USDA)</u> through direct marketing or contracts with veteran's organizations <u>and organizations that serve farmworkers</u>.

## 7) Elected official letters should be transparently adopted and held to AFFH standards

The Dallas public corruption case offers ample evidence that relying upon a single elected official to make a determination as to whether a tax credit development gets the points it needs to move forward opens the door for abuse, bribery and extortion. **Local elected official input for purposes of awarding points to a tax credit development should only be considered if the local governing body as a whole provides the input.**

TDHCA should develop objective standards that would form the basis of the request for elected official input. Presuming that a truly independent market analysis is put in place, the need for the housing should not be one of the requested areas for elected official input.

Rather, local elected officials should be invited to submit any community revitalization plans, HOME plans, etc. developed by their community and indicate how the proposed development meets or fails to meet their community guidelines. TDHCA should request the all written comments address how the official's recommendation advances or does not advance the state and local government obligation to affirmatively further fair housing.

The Quantifiable Community Participation section of the QAP contains the following language: **"**Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law or the scoring of which the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered." **This AFFH language should also be explicitly applied to the evaluation of elected official letters.**

## 8) The QAP should require Independent Market Analyses and Appraisals

Under the proposed QAP rules (§49.9 (h)(14)(B) and (D)), a comprehensive market analysis report and an appraisal report are prepared by qualified professionals selected by the applying developer.

Because the market analyst is chosen by a party with an interest in the outcome, the market analysis performed is not seen as truly independent by community organizations and local elected officials. This perception restricts the ability of the analysis to meaningfully inform stakeholders who may otherwise doubt the need for affordable housing in their neighborhoods.

Likewise, TDHCA because the appraiser is chosen by a party with an interest in the outcome, the public may lack confidence in the value provided by that professional.

**Stakeholders would have more confidence in these reports if TDHCA engaged the independent market analyst and appraiser for each application directly**. TDHCA could pay for the engagement with a fee charged to the developer. The state of Florida uses such a system for the market studies and appraisals it relies upon in its housing tax credit underwriting process.

This is the language of Florida Housing Finance Corporation rule 67-48.0072.10):

> *(10) A full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice and a separate market study shall be ordered by the Credit Underwriter, at the Applicant's expense, from an appraiser qualified for the geographic area and product type not later than completion of credit underwriting. The Credit Underwriter shall review the appraisal to properly evaluate the proposed property's financial feasibility. Appraisals which have been ordered and submitted by third party credit enhancers, first mortgagors or Housing Credit Syndicators and which meet the above requirements and are acceptable to the Credit Underwriter may be used instead of the appraisal referenced above. The market study must be completed by a disinterested party who is approved by the Credit Underwriter. The Credit Underwriter shall consider the market study, the Development's financial impact on Developments in the area previously funded by the Corporation, and other documentation when making its recommendation of whether to approve or disapprove a SAIL or HOME loan, a Housing Credit Allocation, or a combined SAIL loan and Housing Credit Allocation or Housing Credit Allocation and HOME loan. The Credit Underwriter must review and determine whether there will be a negative impact to Guarantee Fund Developments within the primary market area or five (5) miles of the proposed Development, whichever is greater. The Credit Underwriter shall also review the appraisal and other market documentation to determine if the market exists to support both the demographic and income restriction set-asides committed to within the Application. For the Credit Underwriter to make a favorable recommendation, the*

*submarket of the proposed Development must have an average occupancy rate of 90 percent or greater.*

We recommend Texas adopt such a system.

**9) The quality of tenant services varies widely among developments with many tenant services being of poor quality.**

TDHCA should award points to developments at two levels of tenant services: basic services (required of every development) and enhanced services.

Basic services should receive no points; enhanced tenant services, funded at a minimum of $5,000 per month in 2010 dollars, adjusted for inflation, should receive six points. Tenant services agreements should be included in the Land Use Restriction Agreement (LURA) and monitored through the regular compliance monitoring process.

We propose that TDHCA employ a Tenant Opportunities Coordinator (TOC). The TOC would have a MSW or better and be knowledgeable about anti-poverty programs and strategies. Supporting the TOC would be an advisory commission known as the Tenant Initiatives Commission (TIC) composed of social workers and other experts. The TIC would work with the TOC to develop a list of baseline services that all developments would be required to provide. TDHCA would require each development to provide a fixed amount of funds from income to fund tenant services with an inflation-escalating clause. A tenant services plan would be submitted yearly to TDHCA detailing how these funds would be spent in conformance with the list of approved baseline tenant services. As part of the regular monitoring for compliance, TDHCA would ensure that the services were actually provided.

A development proposing enhanced tenant services would, at the time of initial tax credit application, submit a plan for those services. A range of points would be available based on a list of programs approved by the TOC. The developer's plan would be reviewed and scored by the TOC. Any deficiencies in the plan would be noted and the developer would have an opportunity to address those deficiencies prior to final scoring of the application.

**10) At risk developments should focus on loss of the affordability of quality units, not merely loss of subsidy to a property.**

At-risk applications get a set-aside of 15% under the statute. In many years, the demand for these credits has been less than 15%. The result is that applications with relatively low scores have gotten funded in this category because of the lack of competition.

In 2009 there was a difference of 100 points between the high and low scoring projects in this set-aside. The lowest scoring non-Ike project in the regionally competitive application process to receive funding was 37 points higher than the lowest scoring project in the At-risk set aside to receive funding. This indicates marginal-quality deals are getting funded in the at-risk set aside.

While this is an issue that should also be addressed thorough statutory change by the legislature, TDHCA has authority to reduce the danger of funding low-quality development by raising the minimum threshold criteria for all projects.

The reason for creating an at-risk set aside should be to preserve high-quality existing affordable housing and especially to preserve the subsidies within those developments that make them affordable for lower income people. The minimum threshold criteria for all developments, including the at-risk set aside, should include evidence the development will provide high-quality housing to its residents.

**We recommend that the minimum final score threshold be raised 10% from 118 to 130 and that this threshold be applied across all set-asides.** In 2009 at least one development with a score below 118 was funded in the at-risk set aside.

## 11) Required Rehab levels are inadequate

A number of the tax-exempt bond projects that have failed in recent years have involved the rehabilitation of older developments. In most cases those developments have failed to provide an adequate level of rehabilitation at the time of the transaction and that has undermined the long-term economic viability of the development. The lesson is that rehabilitation should be required to bring a development up to near new standards.

Many of the poorest conceived and most problematic developments are rehabilitation applications that involve $15,000 or less per unit in rehabilitation. Allowing these type of transactions encourages the flipping of older properties primarily for the purpose of gaining developer fees or reducing tax liabilities through transfer to nonprofit ownership. A mere change of ownership is not a compelling purpose to award tax credits except in a few exceptional circumstances that can be addressed in a proper definition of at-risk units.

**The $15,000 minimum rehabilitation threshold is too low. We recommend that TDHCA review and consider increasing it**. TDHCA should include a list a critical major components of the development that must be brought to a like new conditions.

An appraiser working for TDHCA who is independent of the developer should objectively and independently assess the proposed rehabilitation needs of the development. No application should be financed with tax credits unless truly substantial rehabilitation is going to take place.

## 12) NIMBY forces, rules and state statutes are having a negative effect on the family unit/elderly unit mix (reducing the former, increasing the latter).

There are too many senior applications being received and approved relative to family developments. In 2009, 40% of the regionally allocated developments funded were Qualified Elderly Developments. In region 6, some 60% of the Low-income units funded by the regionally allocated credits were targeted at Elderly residents. According to data provided by the Texas State Data center, in 2007 only 12% of the Texas population was 62 or older.

TDHCA's policy should be to encourage intergenerational developments. To accomplish this we recommend reducing incentives for elderly segregated housing in the QAP, perhaps by awarding points directly to intergenerational or family housing.

**13) Failure to return tax credits should bar developer from future transactions.**

There needs to be a strong incentive to developers to return unused credits to the tax credit exchange program (or similar programs developed in the future) or face being barred from participations in future tax credit rounds.

**In conclusion, under the Proposed Rules, the program is on path to continue to fail to affirmatively further fair housing in Texas**

An insufficient number of developments are being constructed in non-minority majority and high opportunity neighborhoods. While some of the proposed changes in this draft represent incremental improvement, this rule represents another missed opportunity to significantly reinvent this program to meet the state's goals and responsibilities. Many opportunities for direct and indirect discrimination remain embedded in the proposed 2011 QAP. The state can do better than this.

Thank you for your consideration of our comments.

Sincerely,

John Henneberger, co-director

# Comment #33

J. Anthony Sisk

Churchill Residential

Churchill
RESIDENTIAL

October 22, 2010

Mike Gerber
Executive Director
Texas Department of Housing and Community Affairs
Box 13941
Austin, Texas 78711-3941

Re: 2011 QAP Section 49.9a (7) Selection Criteria points for rent levels of the units

Dear Mr. Gerber:

The current draft of the 2011 QAP contains increased low income targeting in Section 49.9a (7), in excess of the amount contained in the 2010 QAP. Although tax credit pricing has increased in the last year, it is still substantially below the levels of 4 years ago. Many projects are already in a higher risk profile, and without substantial soft financing they will be more difficult to finance and maintain adequate debt service coverage. The lenders are very conservative in their underwriting, and rent increases are not assured. We believe that 2011 is not the year to attempt to increase lower rent levels. The lower rents also make it harder to find financially qualified residents in many locations, as there are a number of prospects with income levels between 50% and 60% AMI.

We respectfully request that Selection Criteria (7) retain the same wording as in 2010, rather than the increased amounts current in the QAP draft.

Sincerely,

J. Anthony Sisk
Principal
Churchill Residential

5605 N. MacArthur Blvd., Suite 580, Irving, TX 75038 972-550-7800 fax 972-550-7900 www.churchillresidential.com

# Comment #34

Barbara Holston

Fort Worth Housing Authority

34

FORT WORTH HOUSING AUTHORITY

*"Investing in the Community"*

10-25-10A09:04 RCVD

BARBARA HOLSTON
Executive Director

October 21, 2010

Kent Conine, Chair
Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701-2410

Dear Mr. Conine and TDHCA Board:

Fort Worth Housing Authority (FWHA) has aggressively pursued opportunities to preserve and increase the number of quality affordable housing within the city of Fort Worth. FWHA has used different funding sources to achieve this goal. One of the most used funding sources is the 9% Low-Income Housing Tax Credit, administered by the Texas Department of Housing and Community Affairs (TDHCA). FWHA carefully considers all of the characteristics of a site before submitting an application to TDHCA.

FWHA believes that affordable housing must be in locations that provide as many amenities as possible needed by the low-income residents. Two of the most important amenities are transportation and employment opportunities.

The Central Business District (CBD) of Fort Worth is the community's largest employment center with approximately 35,000 jobs. The CBD is also the hub for the city's public transportation system. Therefore, the CBD is a good location to develop affordable housing. It is estimated that approximately 5,000 employees working in the CBD have income that is at or below 60% of Area Median Income (AMI). Yet, only 168 apartments in the CBD are affordable to households that are at or below 60% AMI. Of these affordable apartments, 64 will have the LURA expire next year.

The demand for rental housing in the CBD is for one- and two-bedroom apartments. In the third quarter of 2010 of the apartment units that were occupied in the CBD, 59% were one-bedroom, 38% were two-bedrooms and less than 3% were three-bedrooms. These statistics clearly indicate the great demand for one-bedroom apartments and to a lesser degree two-bedroom apartments.

Development of housing in the CDB is expensive. Developing affordable housing is impossible without equity contribution to the development such as low income housing tax credits.

MAILING: P.O. BOX 430 FORT WORTH, TEXAS 76101
OFFICE: 1201 EAST 13TH STREET FORT WORTH, TEXAS 76102 TEL: (817) 336-2419 FAX: (817) 332-4830

The 2011 Draft Qualified Allocation Plan (QAP) Section 49.4 (c) (8) requires that developments include least 15% three-bedroom apartments and cannot have more than 30% one-bedroom apartments. This requirement does not respond to the housing market demand for the CBD.

FWHA requests consideration of a change in the 2011 QAP Section 49.4 (c) that would allow developments in the CBD to have a bedroom mix that would reflect the current market housing demand. Three-bedroom apartments should not be required in low-income housing tax credit developments within the CBD as identified by the City.

Thank you for your consideration.

Sincerely,

Barbara Holston

Barbara Holston
President and CEO

/rg

cc: Michael Gerber, Executive Director, TDHCA
Tom Gouris, TDHCA
Robbye Meyer, TDHCA

# Comment #35

Kathy Tyler

Motivation, Education & Training, Inc. (MET)

MET motivation education & training, inc.

Austin Office
1811 West 38th Street
Austin TX 78731
Telephone: 512-965-0101
Fax number : 512-374-1657

October 19, 2010

Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 78711-3941

RE: Comments related to the *Housing Tax Credit Program 2011 Draft Qualified Allocation Program*

Dear TDHCA Representative:

We appreciate the opportunity to comment to TDHCA on the 2011 QAP. Motivation Education & Training, Inc. is a private nonprofit 501(c)(3) organization funded by a variety of public and private grants and contracts. The agency was incorporated in 1967 and operates on a statewide basis in Texas, Louisiana, Minnesota, North Dakota, and Wyoming. The organization was founded for the purpose of providing academic and vocational training to migrant and seasonal farm workers, with the objective of furthering economic self-sufficiency for MET participants. MET has conducted programs to improve farmworkers' housing situations since the 1970's.

MET's comment is related specifically to how Texas' LIHTC program could better include Texas farmworkers. We fear that because farmworkers often do not seek out social services and support programs, they often do not benefit from housing available as a result of LIHTC. Often rents in LIHTC-produced housing exceed what farmworkers are able to pay. Nor are farmworker wages sufficient to secure other decent rental or ownership homes. Nationally farmworkers household incomes are between $7,500 and $10,000. MET clients (averaging 4-person households) earned an average annual wage of $8,035, which is 36% of the poverty rate. Nationally 60 percent of all US farmworkers live below the poverty level and the poverty rate for these workers exceeds that of all other general occupation categories. Median weekly earnings of full-time farmworkers are 59% of those for all wage and salary workers, although work-weeks usually are upwards of 50 hours a week. In addition, there are no incentives for LIHTC developers to seek out farmworkers as potential tenants.

Thus, we recommend including farmworkers in Section (3)(N) so it will read "A certification that the Development Owner will affirmatively market to veterans *and farmworkers (as defined by USDA)* through direct marketing or contracts with veteran's organizations *and organizations that serve farmworkers*.

The study which TDHCA is commissioning will help in determining where these marketing efforts might best reach the farmworker population.

Thank you for the opportunity to comment. Please contact me if you have any questions or need clarification on any of these suggestions. MET would be happy to continue to work with TDHCA on these or other initiatives that benefit Texas farmworkers.

Sincerely,

Kathy Tyler

Kathy Tyler
Housing Services Director

Comment #36

Ken Paxton

State Representative

District 70

State of Texas
House of Representatives

P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0356
Fax: (512) 463-0701

201 W. VIRGINIA
McKINNEY, TX 75069
(972) 562-4543
Fax: (972) 548-8469

Ken Paxton
District 70

RECEIVED
OCT 27 2010
EXECUTIVE DIRECTOR

SCANNED
CC: RM, TB, MA
MA

October 22, 2010

TDHCA
Attention: Michael Gerber
P.O. Box 13941
Austin, Texas 78711-3941

RE: 2011 QAP - Preference for Rehabilitation

Dear Director Gerber,

The purpose of this letter is to encourage you to consider a more competitive scoring system for Housing Tax Credits. Currently the competitive scoring for Housing Tax Credits contains provisions that effectively allow rehabilitation an advantage in potential funding over new construction projects that would increase the amount of affordable homes in Texas. Section 49.9 (13) of the 2011 QAP draft allows rehab projects to receive 6 points, whereas new construction projects can only receive a maximum of 3 points. I ask that the equality of tax credits be reestablished in the revision of the draft QAP in October so that new construction receives parity with rehabilitation projects.

The construction industry is currently experiencing high unemployment rates due to depressed private construction projects. Generally, new construction projects generate substantially more long term jobs that would both put more Texans back to work and also create more opportunity for affordable housing in our State. Local vendors benefit from new construction projects more than rehabilitation projects because the amount of materials needed is greater, stimulating our local economy and helping small businesses right here at home.

In conclusion, in the interest of increasing jobs and affordable housing in Texas, I ask that TDHCA eliminate the preference given to rehabilitation and give new construction in revitalization areas the equal chance of scoring Housing Tax Credits.

I appreciate the work of you and your team at TDHCA for your services to Texans in-need.

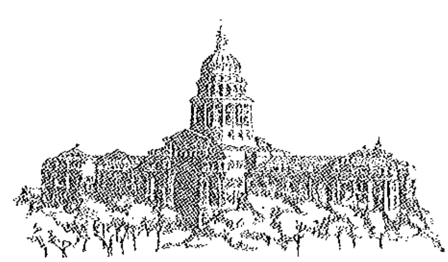
Sincerely,

Ken Paxton

Rep. Ken Paxton

10-28-2010 RCVD

Cc: Kent Conine



ken.paxton@house.state.tx.us

Comment #37

Edmund Kuempel

State Representative

District 44

# The State of Texas House of Representatives

EDMUND KUEMPEL DISTRICT 44 • GONZALES, GUADALUPE & WILSON COUNTIES

RECEIVED
OCT 27 2010
EXECUTIVE DIRECTOR

SCANNED
CC: RM, TG, RMA
MA

October 13, 2010

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin TX, 78711-3941

RE: 2011 QAP - Preference for Rehabilitation

Dear Mike:

In the economic hardship our country is facing today, more and more families are struggling to find affordable housing. The construction industry adds jobs and stimulates the economy along with providing more supply to the decreasing stock of affordable houses. I want to thank TDHCA for your service and creation of affordable housing alternatives and jobs for Texans in need, and want to urge you to look into a more competitive scoring for Housing Tax Credits that will continue all of our efforts to provide housing that Texans can afford.

Currently the competitive scoring for Housing Tax Credits contains provisions that effectively allow rehabilitation an advantage in potential funding over new construction projects that would increase the amount of affordable homes in Texas. Section 49.9 ( 13) of the 2011 QAP draft allows rehab projects to receive 6 points, whereas new construction projects can only receive a maximum of 3 points. I ask that the equality of tax credits be reestablished in the revision of the draft QAP in October so that new construction receives parity with rehabilitation projects.

The construction industry is currently experiencing high unemployment rates due to depressed private construction projects. Generally, new construction projects generate substantially more long term jobs that would both put more Texans back to work and also create more opportunity for affordable housing in our State. Local vendors benefit from new construction projects more than rehabilitation projects because the amount of materials needed is greater, stimulating our local economy and helping small businesses right here at home.

10-28-2010 RCVD

COMMITTEES: CHAIR — LICENSING & ADMINISTRATIVE PROCEDURES
CALENDARS
CULTURE, RECREATION & TOURISM
P.O. BOX 2910 • AUSTIN, TEXAS 78768-2910 • 512-463-0602

The State of Texas
House of Representatives
EDMUND KUEMPEL DISTRICT 44 • GONZALES, GUADALUPE & WILSON COUNTIES

In conclusion, in the interest of increasing jobs and affordable housing in Texas I respectfully ask that TDHCA eliminate the preference given to rehabilitation and give new construction in revitalization areas the equal chance of scoring Housing Tax Credits.

Sincerely,

Edmund Kuempel

EK:bg

COMMITTEES: CHAIR — LICENSING & ADMINISTRATIVE PROCEDURES
CALENDARS
CULTURE, RECREATION & TOURISM
P.O. BOX 2910 • AUSTIN, TEXAS 78768-2910 • 512-463-0602

# Comment #38

Colby Denison

Denison Development and Construction

Denison
DEVELOPMENT & CONSTRUCTION

RECEIVED
OCT 22 2010
EXECUTIVE DIRECTOR

October 19, 2010

TDHCA
Attention: Michael Gerber
Mailing Address:
P.O. Box 13941
Austin TX, 78711-3941
RE: 2011 QAP - Preference for Rehab

Dear Director Gerber,

After reading an article in the USA Today about how low income families are being pressured like never before in their ability to afford decent quality housing and the increasing burden housing has become as a percent of their income, I strongly urge TDHCA to reconsider their preference for rehabilitation of existing housing. In most cases, the housing units being rehabbed are already affordable resulting in no new affordable units being added to existing supply. At this critical time in the economic cycle, we need to be adding to the stock of affordable housing.

Just as important, new construction generates more jobs for Texans than does a rehab project. In a time of unprecedented unemployment, we believe TDHCA can help solve this problem by showing preference for new construction. These projects employ more people for longer periods of time. These projects are preferred by investors and have a higher likelihood of being financed. If a project doesn't find an investor, it won't get built and therefore won't create jobs. We hope that TDHCA will do all it can to put its best foot forward to put Texans to work.

The QAP as presented to your board at the September board meeting gave equal footing to New Construction and Rehab projects. While we believe New Construction should be given an advantage for the above mentioned reasons, we were pleased to see TDHCA make progress in this area, and disappointed when the board gave clear preference to rehab. We urge TDHCA to reinstate the equal footing the QAP had provided until the board decided to give rehab projects the preference they've received for years.

Denison
DEVELOPMENT & CONSTRUCTION

Also, rehab applications are given preference by the fact that there is an *At Risk* set aside. At Risk implies rehab of existing units that are "at risk" of losing their affordability. By giving the general set aside a rehab preference, it seems the rehab projects are double dipping. If a city has an area of revitalization, and wants new construction for a special parcel of property, we don't understand why that city would be penalized for wanting to create new housing compared to another city that has targeted existing housing for revitalization. These two circumstances should be treated equally by giving the local governments the power to determine what is best for their communities.

On top of the point advantage and the At Risk Set Aside, Rehabs win the tie breaker. We don't understand this clear preference for Rehab projects, and ask that TDHCA revert back to the earlier means of deciding tie breakers such as lowest number of tax credit units per capita.

In light of the delicate state of our economy and the tax credit investor, we would hope that TDHCA would be doing all it can to insure that projects are financially viable. The investor's appetite for risk is at an all time low, and increasing the low income targeting percentages now doesn't make sense. We would all like to provide more units for the very low income citizens of this state, but now is not the time to be doing this. When tax credit pricing returns to where it was five years ago and assuming interest rates remain attractive, that would be the time for increasing low income targeting. We would support TDHCA in that effort when the time is right and deals have certainty for getting funded and proceeding forward.

To conclude, please re-establish the equality between rehab and new construction projects. Our organization has experienced two straight years where our new construction projects have scored nearly every point possible in the QAP, and not received a competitive award of tax credits. This is because there is no way for a new construction project to make up for the scoring that is dedicated solely to rehab projects. In the name of job creation and housing affordability, please reconsider the preference the QAP gives to rehab projects.

Sincerely,

Colby Denison

**MULTIFAMILY FINANCE PRODUCTION DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

Presentation, Discussion and Possible Action for publication in the *Texas Register* of a final order adopting the repeal of 10 TAC Chapter 35, concerning the 2009 Multifamily Housing Revenue Bond Rules and final order adopting the new 10 TAC Chapter 35, concerning the 2011 Multifamily Housing Revenue Bond Rules.

## RECOMMENDED ACTION

**RESOLVED**, that the proposed repeal and proposed new rule for the Multifamily Housing Revenue Bond Rules, 10 TAC, Chapter 35, is hereby ordered and its is approved, together with the preambles presented to this meeting, for publishing in the *Texas Register*.

**FURTHER RESOLVED**, that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the Final Multifamily Housing Revenue Bond Rules, in the form presented to this meeting to be published in *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## BACKGROUND

The Board approved the Draft 2011 Multifamily Housing Revenue Bond Rules to be published in the *Texas Register*. The proposals were published in the *Texas Register* on September 24, 2010, for the public to provide comments. In order to receive additional comments on all proposed rules, the Texas Department of Housing and Community Affairs held public hearing across the state. Thirty-four (34) people attended these hearings.

The Department did not receive any comments specific to the 2011 Multifamily Housing Revenue Bond Rule; however there were comments received in response to the Draft 2011 Qualified Allocation Plan that impacts this rule and is being presented at this meeting.

**Attachment A: Preamble, Reasoned Response, and New Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts new 10 TAC Chapter §35, §§35.1 - 35.9, concerning the 2011 Multifamily Housing Revenue Bond Rules. Sections 35.1 - 35.9 are adopted without change and will not be republished.

The new sections are adopted in order to implement changes that will improve the 2011 Private Activity Bond Program.

The Texas Department of Housing and Community Affairs (the "Department") accepted comments to the proposed rule in writing and by email.

The Board approved the final order adopting the changes, as amended, as well as administrative changes as needed for consistency within this chapter, on November 10, 2010.

The new sections are adopted pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

*§35.1.Introduction.*

The purpose of this chapter is to state the Texas Department of Housing and Community Affairs (the "Department") requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon Developments financed with the issuance of Bonds for the 2011 Private Activity Bond Program year. The rules and provisions contained in this chapter are separate from the rules relating to the Department's administration of the Housing Tax Credit Program. Applicants seeking a housing tax credit allocation should consult the Department's Qualified Allocation Plan ("QAP"), in effect for the program year for which the Housing Tax Credit application will be submitted. If the applicable QAP contradicts rules set forth in this chapter, the applicable QAP will take precedence over the rules in this chapter. The Department encourages the participation in the Multifamily Bond programs by working directly with Applicants, lenders, trustees, legal counsels, local and state officials and the general public to conduct business in an open, transparent and straightforward manner. The Department has simplified the process, within the limitation of statute, to affirmatively support and create affordable housing throughout the State of Texas.

*§35.2.Authority.*

The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code. All Bonds issued by the Department must conform to the requirements of the Act. The Department will issue Bonds to finance the rehabilitation, preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to Chapter 2306 and Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this title).

*§35.3.Definitions.*

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Texas Government Code, Chapter 2306, §§42, 141 and 145 of the Internal Revenue Code, and §1.1 of this title (relating to Definitions) and repeated in the Tax Credit (Procedures) Manual.

(1) Eligible Tenants--

(A) individuals and families of Extremely Low, Very Low and Low Income;

(B) individuals and families of Moderate Income; or

(C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

(2) Institutional Buyer--

(A) An accredited investor as defined in Regulation D promulgated under the Securities Act of 1933, as amended (17 CFR §230.501(a)), but excluding any natural person or any director or executive officer of the Department (17 CFR §230.501(a)(4) - (6)); or

(B) A qualified institutional buyer as defined by 17 CFR §230.144(A), promulgated under the Securities Act of 1935, as amended.

(3) Owner--An Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(4) Persons with Special Needs--Persons who:

(A) Are considered to be disabled under a state or federal law;

(B) Are elderly;

(C) Are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise; or

(D) Are legally responsible for caring for an individual described by subparagraph (A), (B) or (C) of this paragraph and meet the income guidelines established by the Board.

(5) Private Activity Bond Program Scoring Criteria--The scoring criteria established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35.5(e) of this chapter (relating to Application Procedures, Evaluation and Approval).

(6) Private Activity Bond Program Threshold Requirements--The threshold requirements established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35.5(d) of this chapter.

(7) Program--The Department's Multifamily Housing Revenue Bond Program.

(8) Tenant Services--Social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §§601 et seq.), and other similar services.

(9) Tenant Services Program Plan--The plan, subject to approval by the Department, which describes the Tenant Services to be provided by the Development Owner in a Development.

(10) Trustee--A national banking association organized and existing under the laws of the United States, as trustee (together with its successors and assigns and any successor trustee).

*§35.4.Bond Rating and Investment Letter.*

(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.

(b) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable to the Department. Bonds rated less than "A" and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars ($100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.

*§35.5.Application Procedures, Evaluation and Approval.*

(a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Pre-application--including costs associated with the publication and posting of required public notices--and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the Application process, the Applicant is solely responsible for determining whether to proceed with the Application, and the Department disclaims any and all responsibility and liability in this regard.

(b) Pre-application. An Applicant who requests financing from the Department for a Development shall submit a pre-application in the format prescribed by the Department. Within fourteen (14) days of the Department's receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed Development. Upon review of the pre-application, if the Development is determined to be ineligible for Bond financing by the Department pursuant to §49.4 of this title (relating to Ineligible Applicants, Applications and Developments), the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as described in subsection (e) of this section.

(1) The Department will rank the pre-application with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Applications which will be ranked above all Priority 3 Applications, regardless of score, reflecting a priority structure which gives consideration to the income levels of the tenants and the rent levels of the units consistent with §2306.359, Texas Government Code. This priority ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, a priority first for Applications involving rehabilitation; then if a tie still exists, the Application with the greatest number of points awarded for Quality and Amenities for the Development; then if a tie still exists, the Department will grant preference to the pre-application with the lower number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in the Private Activity Bond Program Threshold Requirements as set out in subsection (d) of this section.

(2) After scoring and ranking, the Development and the proposed financing structure will be presented to the Department's Board for consideration of an inducement resolution declaring the Department's initial intent to issue Bonds with respect to the Development.

(c) Approval of the inducement resolution does not guarantee final Board approval of the Bond Application. Department staff, for good cause, may recommend that the Board not approve an inducement resolution for an Application. Because each Development is unique, making the final determination is often dependent on the issues presented at the time the full Application is presented to the Board.

(d) Pre-Application Threshold Requirements.

(1) As the Department reviews the Application, the Department will use the assumptions as reflected in §1.32 of this title (relating to Underwriting Rules and Guidelines), even if not reflected by the Applicant in the Application.

(A) Construction Costs Per Unit Assumption. Costs not to exceed $85 per square foot for general population developments and $95 for elderly developments (Rehabilitation developments are exempt from this requirement);

(B) Anticipated Interest Rate and Term. As stated in the Summary of Financing Participants in the pre-application;

(C) Size of Units as reflected in §49.8(5)(B) of this title (relating to Threshold Criteria).

(2) Zoning. Evidence of appropriate zoning must be provided as referenced in §49.8(8)(B) of this title.

(3) Proper Site Control. Properly executed and escrow receipted Site Control in the name of the Applicant (principal or member of the General Partner) valid through the inducement Board meeting at pre-application and ninety (90) days from the date of the Certificate of Reservation with the option to extend through the scheduled TDHCA Board meeting at full application. The potential expiration of site control does not warrant the application being presented to the TDHCA Board prior to the scheduled meeting.

(4) Current Market Information (must support affordable rents).

(5) Completed current TDHCA Bond Pre-Application.

(6) Completed 2011 Bond Review Board Residential Rental Attachment.

(7) Evidence of paid Application Fees ($1,000 to TDHCA, $2,000 to Vinson and Elkins, as the Department's bond counsel, and $5,000 to Bond Review Board).

(8) Boundary Survey or Plat clearly identifying the location and boundaries of the subject property.

(9) Local Area map showing the location of the Property and Community Services/Amenities within a three (3) mile radius (radius ring or scale must be present on the map).

(10) Organization Chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant with evidence of Entity Registration or Reservation with the Office of the Secretary of State.

(11) Required Notification. Evidence of notification is required in the form provided in the pre-application. The "Public Information Form" must be completed and include a list of all of the recipients (including names and complete addresses). Proof of delivery, though not required to be submitted with the Application, must not be older than three months prior to the date of Application submission date. Notification must be sent to all the following individuals and entities (if the QAP in effect for the program year for which the Bond and Housing Tax Credit applications are submitted reflect a notification process that is different from the process listed in subparagraphs (A) - (G) of this paragraph, then the QAP will override the notification process listed in subparagraphs (A) - (G) of this paragraph):

(A) State Senator and Representative that represents the district containing the development;

(B) Presiding Officer of the governing body of any municipality containing the development and all elected members of that body (Mayor, City Council members);

(C) Presiding Officer of the governing body of the county containing the development and all elected members of that body (County Judge and/or Commissioners);

(D) School District Superintendent of the school district containing the development;

(E) Presiding Officer of the School Board of Trustees of the school district containing the development; and

(F) The Applicant must request Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as follows:

(i) No later than fourteen (14) days prior to the date the Pre-application is submitted, the Applicant must e-mail, fax or mail with registered receipt a completed, "Neighborhood Organization Request" letter as provided in the Pre-application materials to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located in an area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (the "ETJ") of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request Neighborhood Organizations from that source in the same format;

(ii) If no reply letter is received from the local elected officials by seven (7) days prior to the Pre-application submission, then the Applicant must certify to that fact in the Pre-application materials; and

(iii) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries include the proposed Development Site as provided by the local elected officials, or that the Applicant has knowledge of (regardless of whether the organization is on record with the county or state) as of the Pre-Application submission in the "Certification of Notification Form" provided in the Pre-application.

(G) No later than the date the Pre-application is submitted, Notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt (email or fax to be "receipt confirmed") in the format required in the "Pre-application Notification Template" provided in the Pre-Application materials. Developments located in an ETJ of a city are not required to notify city officials; however the county officials are required to be notified. It is strongly encouraged that Applicants retain proof of delivery of the notifications to the persons or entities prescribed in clauses (i) - (ix) of this subparagraph in the event the Department requires proof of Notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Pre-Application is submitted.

(i) Neighborhood Organizations on record with the state or county whose boundaries contain the proposed Development Site as identified in subparagraph (F)(iii) of this paragraph;

(ii) Superintendent of the school district containing the Development;

(iii) Presiding officer of the board of trustees of the school district containing the Development;

(iv) Mayor of any municipality containing the Development;

(v) All elected members of the governing body of any municipality containing the Development;

(vi) Presiding officer of the governing body of the county containing the Development;

(vii) All elected members of the governing body of the county containing the Development;

(viii) State representative of the district containing the Development; and

(ix) State senator of the district containing the Development.

(H) Each such notice must include, at a minimum, all of the following:

(i) The Applicant's name, address, individual contact name and phone number;

(ii) The Development name, address, city and county;

(iii) A statement informing the entity or individual being notified that the Applicant is submitting a request for Private Activity Bonds and Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(iv) Statement of whether the Development proposes New Construction or Rehabilitation;

(v) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.) and population being served (general, or elderly);

(vi) The approximate total number of Units and approximate total number of low-income Units;

(vii) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate;

(viii) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur; and

(ix) The expected completion date if credits and/or bonds are awarded.

(e) Pre-application Scoring Criteria.

(1) Income and Rent Levels of the Tenants: Applications submitted as a Priority 1 will receive 10 points, Priority 2 will receive 7 points and Priority 3 will receive 5 points.

(2) Cost of the Development by Square Foot: for this item, costs shall be defined as construction costs, including site work, direct hard costs, contingency, contractor profit, overhead and general

requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of Net Rentable Area (NRA). Costs must be greater than or equal to $85 per square foot for general population Developments and $95 per square foot for elderly Developments (1 point) (Rehabilitations will automatically receive (1 point)).

(3) Size of Units: The average size of all Units combined in the Development must be greater than or equal to 950 square foot for general and must be greater than or equal to 750 square foot for elderly (5 points). (Rehabilitations will automatically receive 5 points).

(4) Period of Guaranteed Affordability for Low Income Tenants: Add ten (10) years of affordability after the extended use period for a total affordability period of forty (40) years (1 point).

(5) Quality of the Units as referenced in §49.9(a)(4)(B) of this title (relating to Selection Criteria).

(6) Common Amenities as referenced in §49.8(5)(A)(ii) of this title.

(7) Tenant Services. (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc.). Indirect costs such as overhead and utility allocations may not be included);

(A) $10 per Unit per month (10 points);

(B) $7 per Unit per month (5 points);

(C) $4 per Unit per month (3 points).

(8) Development Support/Opposition. Maximum net points of +24 to -24. Each letter will receive a maximum of +3 to -3. All letters received by 5:00 PM, seven (7) business days prior to the date of the Board meeting at which the Application will be considered for Applications submitted for waiting list and carryforward will be used in scoring. Letters must clearly state support or opposition to the specific Development. State Representatives or Senators as well as local elected officials to be considered are those in office at the time the Application is submitted and represent the district containing the proposed Development Site. Letters of support from State or local elected officials that do not represent the district containing the proposed Development Site will not qualify for points under this exhibit. Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. A letter that does not directly express support by expresses it indirectly by inference, (i.e. a letter that says "the local jurisdiction supports the Development and I support the local jurisdiction" will be treated as a neutral letter).

(A) Texas State Senator and Texas State Representative (maximum +3 to -3 points per official);

(B) Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development (maximum +3 to -3 points per official);

(C) Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled) (maximum +3 to -3 points per official);

(D) Local School District Superintendent and Presiding Officer of the Board of Trustees for the School district containing the Development (maximum +3 to -3 points per official).

(9) Proximity to Community Services/Amenities Community services/amenities within three (3) miles of the site. A map must be included identifying the Development Site and the location of services by name. If the services are not identified by name, points will not be awarded. All services must exist or, if under active construction post pad, by the date pre-application is submitted. The map must include either a three (3) mile radius ring or a scale. (Rehabilitation developments will receive 1.5 points for each item in subparagraphs (A) - (N) of this paragraph.)

(A) Full service grocery store or supermarket (1 point);

(B) Pharmacy (1 point);

(C) Convenience store/mini-market (1 point);

(D) Department or Retail Merchandise Store (1 point);

(E) Bank/Credit Union (1 point);

(F) Restaurant (including fast food) (1 point);

(G) Indoor public recreation facilities, such as civic centers, community centers, and libraries, (1 point);

(H) Outdoor public recreation facilities, such as parks, golf courses, and swimming pools, (1 point);

(I) Fire/Police Station (1 point);

(J) Hospital/medical clinic (1 point);

(K) Medical offices (physician, dentistry, optometry) (1 point);

(L) Public Transportation (1/2 mile from site) (1 point);

(M) Public School (only one school required for point and only eligible with general population developments) (1 point);

(N) Senior Center (1 point);

(10) Rehabilitation Developments will receive 30 points. This will include the demolition of old buildings and New Construction of the same number of units if allowed by local codes or less units to comply with local codes (not to exceed 252 total units).

(11) Preservation Developments will receive 10 points. This includes Rehabilitation proposals on properties which are nearing expiration of an existing affordability requirement within the next two years or for which there has been a rent restriction requirement in the past ten (10) years. Evidence must be provided.

(12) Declared Disaster Areas. Applications will receive 7 points, if at the time the complete pre-application is submitted or at any time within the two-year period preceding the date of submission, the proposed Development Site is located in a declared Disaster Area. This includes federal, state and Governor declared disaster areas.

(13) Developments in Census Tracts with No Other Existing Developments Supported by Tax Credits. Applications will receive 6 points if the proposed Development is located in a census tract in which there are no other existing Developments that were awarded housing tax credits in the last five (5) years and 3 points if there are no other existing developments that were awarded housing tax credits in the last three (3) years. The applicant must provide evidence of the census tract in which the Development is located. These Census Tracts are outlined in the 2011 Housing Tax Credit Site Demographic Characteristics Report.

(14) Notary Public Services for Tenants. Applications will receive 1 point for this item. (§2306.6710(b)(3)) To receive this point, the Applicant must submit a certification that the Development will provide notary public services to the tenants during regular business hours at no cost to the tenant. This provision will be included in the Land Use Restriction Agreement and Regulatory Agreement.

(f) Multiple Site Applications. For the purposes of scoring, applicants must submit the required information as outlined in the Pre-Application Submission Manual. Each individual property will be scored on its own merits and the final score will be determined based on an average of all of the individual scores.

(g) Financing Commitments. After approval by the Board of the inducement resolution, and as part of the submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds or the financing of the Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

(h) Full Application. An Applicant who elects to proceed with submitting a final Application to the Department must submit the Volumes I and II of the Application, for Priority 1 and 2, prior to receipt of a Certificate of Reservation of allocation from the Texas Bond Review Board. For Priority 3 Applications the Volumes I and II must be submitted within fourteen (14) days of the Certificate of Reservation date from the Texas Bond Review Board. The Volume III of the

Application and such supporting material as is required by the Department must be submitted at least sixty (60) days prior to the scheduled meeting of the Board at which the Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. If the Applicant is applying for other Department funding then refer to the Rules for that program for Application submission requirements. The full Application must adhere to the Department's QAP in effect for the program year for which the Bond and Housing Tax Credit applications are submitted. The Department may determine that supporting materials listed in the full Application shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board.

(1) A Public Notification Sign shall be installed on the proposed Development site, regardless of Priority as described in §49.8(9)(B) of this title.

(2) Completed Uniform Application and Multifamily Rental Worksheets in the format required by the Department as posted to the Department's website.

(i) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies as described in §49.7(a)(2)(B) of this title (relating to Application Process).

(j) Eligibility Criteria. The Department, in addition to those items described in §49.4 of this title, will evaluate the Development for eligibility at the time of pre-application, and at the time of full Application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the Certificate of Reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). The Development and the Applicant must satisfy the conditions set out in paragraphs (1) and (2) of this subsection in order for a Development to be considered eligible:

(1) The proposed Development must further meet the public purposes of the Department as identified in the Code.

(2) An application may include either the rehabilitation or new construction, or both the rehabilitation and new construction, of qualified residential rental facilities located at multiple sites and with respect to which 51% or more of the residential units are located:

(A) in a county with a population of less than 75,000; or

(B) in a county in which the median income is less than the median income for the state, provided that the units are located in that portion of the county that is not included in a metropolitan statistical area containing one or more projects that are proposed to be financed, in whole or in part, by an issuance of bonds. The number of sites may be reduced as needed without affecting their status as a project for purposes of the application, provided that the final application for a reservation contains at least two sites. (§1372.002, Texas Government Code)

(k) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

(l) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §147(f) of the Code, in order to receive comments from the public pertaining to the Development and the issuance of the Bonds. The Applicant or member of the Development team must be present and will be responsible for conducting a brief presentation on the proposed Development and providing handouts at the hearing that should contain at a minimum, a description of the Development, maximum rents and income restrictions. If the proposed Development is a Rehabilitation then the presentation should include the scope of work that will be done to the property. All handouts must be submitted to the Department for review at least two (2) days prior to the public hearing. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board's decisions on approvals of proposed Developments will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board's decision. The Department's Board will consider the following topics in relation to the approval of a proposed Development:

(1) The Developer market study;

(2) The location;

(3) The compliance history of the Developer;

(4) The financial feasibility;

(5) The appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;

(6) The Development's proximity to other low-income housing Developments;

(7) The availability of adequate public facilities and services;

(8) The anticipated impact on local school districts;

(9) Zoning and other land use considerations;

(10) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes; and

(11) Other good cause as found by the Board.

(m) Approval of the Bonds.

(1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for appeals may be found under §1.7 and §1.8 of this title. To the extent applicable to each specific bond issuance, the Department's conduit housing transactions will be processed in accordance with 34 TAC Part 9, Chapter 181, Subchapter A (relating to the Texas Bond Review Board rules) and Chapter 1372, Texas Government Code. The Bond issuance must receive an approving opinion from the Department's bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

(2) Alternative Dispute Resolution Policy. The Department encourages use of Alternative Dispute Resolution methods as outlined in §1.17 of this title.

(n) Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

(o) Closing. If there are changes to the Application prior to closing that have an adverse effect on the score and ranking order that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Once all approvals have been obtained including final approval by the Board and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Any outstanding Housing Trust Fund Pre-Development loans for the proposed Development site must be paid in full at the time the bond transaction is closed. All Applicants are subject to §1.20(g) of this title (relating to Asset Resolution and Enforcement). Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment thereof. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

*§35.6.Regulatory and Land Use Restrictions.*

(a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), will be filed in the property records of the county in which the Development is located for each Development financed from the proceeds of Bonds issued by the Department. The term of the LURA will be the longer of thirty (30) years, from the date the Development Owner takes legal possession of the Development or until the end of the remaining term of the existing federal government assistance pursuant to §2306.185.

(b) Development Occupancy. The LURA will specify occupancy restrictions for each Development based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner. Development occupancy requirements must be met on or prior to the date on which Bonds are issued unless the Development is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude Units for managers and maintenance personnel that are reasonably required by the Development.

(c) Set Asides.

(1) Developments which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified §501(c)(3) Bonds must be restricted under one of the following two minimum set-asides:

(A) at least 20% of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 50% of the area median income; or

(B) at least 40% of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 60% of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Development and must also designate the selected priority for the Development in accordance with §1372.0321, Texas Government Code. Units intended to satisfy set-aside requirements must be distributed evenly throughout the Development, and must include a reasonably proportionate amount of each type of Unit available in the Development.

(3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a Unit in the Development because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit; provided, however, that, should a tenant's income, as of the most recent determination thereof, exceed 140% of the then applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant (Required federal set-aside requirements).

(d) Global Income Requirement. All of the Units that are available for occupancy in Developments financed from the proceeds of Private Activity Bonds or from the proceeds of

Qualified §501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed 140% of the area median income for a four-person household.

(e) Qualified §501(c)(3) Bonds. Developments which are financed from the proceeds of Qualified §501(c)(3) Bonds are further subject to the restriction that at least 75% of the Units within the Development that are available for occupancy shall be occupied (or, in the case of new construction, held vacant and available for occupancy until such time as initial lease-up is complete) at all times by individuals and families of Low Income (less than or equal to 80% of AMFI).

(f) Taxable Bonds. The occupancy requirements for Developments financed from the issuance of taxable Bonds will be negotiated, considered and approved by the Department on a case by case basis.

(g) Fair Housing. All Developments financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.

(h) Tenant Services. Acceptable services include those found in §49.9(a)(9) of this title (relating to Selection Criteria).

*§35.7.Fees.*

(a) Pre-Application Fees. The Applicant is required to submit, at the time of pre-application, the following fees: $1,000 (payable to TDHCA), $2,000 (payable to Vinson & Elkins, the Department's bond counsel) and $5,000 (payable to the Texas Bond Review Board (BRB)). These fees cover the costs of pre-application review and filing fees to the BRB. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the Department's expenses in connection with providing financing for a Development, and as required by law. (§1372.006(a), Texas Government Code).

(b) Application and Issuance Fees. At the time of full application the Applicant is required to submit a tax credit application fee of $30/unit and $10,000 for the bond application fee (for multiple site Applications $10,000 or $30/unit, whichever is greater, for the bond application fee.) At the closing of the bonds the following fees are required: an issuance fee equal to 50 basis points (0.005) of the issued bond amount, administration fee equal to 20 basis points (0.002) and a Private Activity Bond compliance fee equal to $25/unit and a tax credit compliance fee equal to $40/unit. For refunding Applications the Application fee will be $10,000 unless the refunding is not required to have a TEFRA public hearing, in which case the fee will be $5,000.

(c) Annual Administration, Portfolio Management and Compliance, and Asset Management Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the

Department's costs of administering the Bonds, portfolio management and compliance with the program requirements applicable to each Development and asset management applicable requirements.

(1) Administration. The annual administration fee is paid in arrears and is equal to 10 basis points (0.001) of the outstanding bond amount beginning three years from the closing date. These fees are paid as long as the bonds are outstanding.

(2) Compliance Monitoring Fees. The annual tax credit compliance fee is paid in advance (for the duration of the compliance or affordability period) and is equal to $40/unit beginning two years from the closing date on the bonds. The fee will be collected, retroactively if applicable, beginning with the first year of the credit period. The invoice must be paid prior to the issuance of form 8609. Subsequent anniversary dates on which the compliance monitoring fee payments are due shall be determined by the month the first building is placed in service. The Private Activity Bond compliance fee is paid in advance at closing (for as long as the bonds are outstanding) and is equal to $25/unit beginning two years from the closing date on the bonds for payment to be applied to the third year following closing. Compliance monitoring fees may be adjusted from time to time by the Department.

(3) Asset Management. The asset management fee is paid in advance and is equal to $25/unit beginning two years from the closing date on the bonds. This fee is based on voluntary participation in the asset management program. Those who elect to participate are encouraged to contact the Texas State Affordable Housing Corporation (TSAHC) for information on billing and services offered.

*§35.8.Waiver of Rules.*

Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the Rules set forth in this chapter relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

*§35.9.No Discrimination.*

The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this chapter.

**Attachment B: Preamble, Reasoned Response, and Repealed Rule**

The Texas Department of Housing and Community Affairs (the “Department”) adopts the repeal of 10 TAC Chapter 35, 35.1 - 35.10, concerning the 2009 Multifamily Housing Revenue Bond Rules without changes to the proposed text as published in the September 24, 2010 issue of the Texas Register (35 TexReg 8584) and will not be republished.

The repeal is adopted in order to enact new sections.

Public hearings on the repeal were held in Dallas, Houston, El Paso, Brownsville, Midland, and Austin. Additionally, written comments on the proposed repeal were accepted by mail, e-mail, and facsimile through October 23, 2010.

No comments were received concerning the proposed repeal.

The Board approved the final order adopting this repeal on November 10, 2010.

The repealed sections are adopted pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

35.1. Introduction.
35.2. Authority.
35.3. Definitions.
35.4. Policy Objectives and Eligible Developments.
35.5. Bond Rating and Investment Letter.
35.6. Application Procedures, Evaluation and Approval.
35.7. Regulatory and Land Use Restrictions.
35.8. Fees.
35.9. Waiver of Rules.
35.10. No Discrimination.

**Compliance and Asset Oversight**

**BOARD ACTION REQUEST**

**November 10, 2010**

## Recommended Action

Approval for publication for publication in the Texas Register of proposed repeal of 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.126 and proposed new 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.129

> **RESOLVED**, that the proposed repeal of 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.126 and proposed new 10 TAC Chapter 60, Subchapter A, §§60.101 – 60.129 together with the preambles presented to this meeting, for publishing in the *Texas Register*.
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the draft rule, in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## Background

Attached to this Board Action Item is the proposed repeal and adoption of 10 TAC Chapter 60, Subchapter A, which reflects staff's recommendations for revisions for the Board's consideration. The purpose of this request to repeal and adopt new rules is to separate compliance concepts from the current section of §60.111 and create the new sections; §60.112 and §60.113. Changes to the draft rules will provide more clarity for maintaining compliance with the applicable housing programs administered by the Department. The document is shown as a 'blackline" of the current Chapter 60; additions to the rules are underlined text and deletions are shown as marked through text. Public comment will be taken via mail, email or facsimile and the comment period will be November 26, 2010 through December 27, 2010.

The primary changes are made to improve the quality, to simplify, and to provide in-depth technical assistance on the compliance rules. Listed below is a summary of significant proposed changes.

1. **§60.101 – Purpose and Overview (Page 1of 34).** Language has been added to note that these rules describe the *monitoring* procedures the Department will use. In the case of inconsistencies between the rule and a property's Land Use Restriction Agreement, the Department will amend the LURA at the owner's written request. For example, Housing Tax Credit LURAs state that units cannot be leased to students unless they meet certain criteria. These rules state that after the initial 15 year compliance period, the Department will not monitor for this requirement. There are several other areas where the Department will monitor a property differently than the requirements outlined in a LURA.
2. **§60.102 – Definitions (Pages 2-4 of 34).** Many of the definitions in this section have deleted because they are defined in 10TAC Chapter §1.1.
3. **§60.109 - Utility Allowances (Pages 8-11 of 34 ).** This section is revised to reflect NSP, Exchange, TCAP and CDBG programs. In addition, it clarifies that if a PHA has different schedules by building type (duplex, high-rise, etc.), owners must implement the most appropriate schedule. In addition, the proposed rule would allow HOME developments to implement changes in utility allowance consistent with the Housing Tax Credit program.
4. **§60.111 – Annual Recertifications and Student Requirements (Pages 12-15 of 34 ).** This section was revised and expanded to explain annual recertification requirements by program and provide examples.
5. **§60.112 – Additional Income and Rent Restriction (Pages 18-19 of 34).** The information in this section was originally located §60.111 and was moved to its own section to provide in-depth technical guidance for Housing Tax Credit, Exchange and TCAP developments managing additional occupancy restrictions.
6. **§60.113 – Household Transfers (Pages 19-20 of 34 ).** The information in this section was originally located §60.111 and was moved to its own section to provide in-depth technical guidance on household transfers for all programs.
7. **§60.114 – Requirements to Households with Rental Assistance (Pages 20-21 of 34).** This section was updated to require HOME developments to maintain a written waiting list and tenant selection criteria as required in the HOME Final Rule, Part 92.
8. **§60.116 – Monitoring for Social Services (Pages 22-23 of 34).** This section was updated to require the implementation of supportive services prior to the issuance of IRS forms 8609s for the Housing Tax Credit program.

## Recommendation

Staff requests permission to make any technical conforming changes or corrections of typographical errors needed for publication for public comment.

The Texas Department of Housing and Community Affairs (the "Department") proposes new draft of 10 TAC Chapter 60, Subchapter A §§ 60.101 – 60.129. The proposed new rules will add sections §60.112 and §60.113 to provide clarity.

Mr. Michael Gerber, Executive Director, has determined that for the first five year period the proposed sections are in effect, there will be no fiscal implications for state or local governments as a result of enforcing or administering the sections as proposed.

Mr. Gerber has also determined that for each year of the first five years the sections are in effect, the public benefit anticipated will be to permit the adoption of new rules, thereby enhancing the State's ability to provide decent, safe and sanitary housing administered by the Department. There will be no effect on small businesses or persons. There is no anticipated economic cost to persons who are required to comply with the sections as proposed. The proposed sections will not impact local employment.

The public comment period will be November 26, 2010 through December 27, 2010 to receive input on the proposed amendments and new sections. Written comments may be submitted to Texas Department of Housing and Community Affairs, 2011 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by e-mail to the following address: tdhcarulecomments@tdhca.state.tx.us, or by fax to (512) 475-3359. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. December 27, 2010.

The amended and new sections are proposed pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by the proposed amended and new sections.

The Texas Department of Housing and Community Affairs (the "Department") proposes to repeal 10 TAC Chapter 60, Subchapter A §§ 60.101 – 60.126.

Mr. Michael Gerber, Executive Director, has determined that for the first five year period the proposed sections are in effect, there will be no fiscal implications for state or local governments as a result of enforcing or administering the sections as proposed.

Mr. Gerber has also determined that for each year of the first five years the sections are in effect, the public benefit anticipated will be to permit the adoption of new rules, thereby enhancing the State's ability to provide decent, safe and sanitary housing administered by the Department. There will be no effect on small businesses or persons. There is no anticipated economic cost to persons who are required to comply with the sections as proposed. The proposed sections will not impact local employment.

The public comment period will be November 26, 2010 through December 27, 2010 to receive input on the proposed amendments and new sections. Written comments may be submitted to Texas Department of Housing and Community Affairs, 2011 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by e-mail to the following address: tdhcarulecomments@tdhca.state.tx.us, or by fax to (512) 475-3359. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. December 27, 2010.

The proposed repeal is pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by the proposed amended and new sections.

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|---|---|
| §60.101 | Purpose and Overview |
| §60.102 | Definitions |
| §60.103 | Construction Monitoring |
| §60.104 | Recording of Land Use Restriction Agreement (HTC Properties) |
| §60.105 | Reporting Requirements |
| §60.106 | Record keeping Requirements |
| §60.107 | Notices to the Department |
| §60.108 | Determination, Documentation and Certification of Annual Income |
| §60.109 | Utility Allowances |
| §60.110 | Lease Requirements (HTC and HOME Properties) |
| §60.112 | Requirements Pertaining to Households with Rental Assistance |
| §60.113 | Onsite Monitoring |
| §60.114 | Monitoring for Social Services |
| §60.115 | Monitoring for Non-Profit Participation or HUB Participation |
| §60.116 | Property Condition Standards |
| §60.117 | Notice to Owners |
| §60.118 | Special Rules Regarding Rents and Rent Limit Violations |
| §60.119 | Notices to the Internal Revenue Service (HTC Properties) |

**TITLE 10.** COMMUNITY DEVELOPMENT.
**PART 1.** TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
**CHAPTER 60.** COMPLIANCE ADMINISTRATION.
**SUBCHAPTER A.** COMPLIANCE MONITORING.

## §60.101. Purpose and Overview.

(a) This chapter satisfies the requirement of §42(m)(1)(B)(iii) Internal Revenue Code (Code) to provide a procedure that will be followed for monitoring for noncompliance with the provisions of the Code and to notify the IRS of such noncompliance. These rules are consistent with requirements established under applicable state and federal laws, rules, and regulations, and the Department will monitor in accordance with these rules. Nothing herein serves to waive, alter, or amend the requirements of any duly recorded Land Use Restriction Agreement "LURA". A party to a LURA wishing to have the LURA amended must submit a formal request to the Department, and the Department will review any such request to determine if it is acceptable and, if acceptable, specify any appropriate requirements for or conditions or limitations on any such amendment. The Department monitors rental Developments receiving assistance under:

(1) the Housing Tax Credit program (HTC);
(2) the HOME Investment Partnerships program (HOME);
(3) the Tax Exempt Bond program (BOND);
(4) the Housing Trust Fund program (HTF);
(5) the Community Development Block Grant Disaster Recovery program (CDBG);
(6) the Tax Credit Assistance Program (TCAP); ~~and~~
(7) the Tax Credit Exchange Program (Exchange ~~TCEP~~); and
(8) the Neighborhood Stabilization Program (NSP).

(b) All properties monitored by the Department are subject to the Department's enforcement rules, found in Subchapter C of this chapter.

(c) Compliance monitoring begins with the commencement of construction and continues to the end of the long term Affordability Period. The Compliance and Asset Oversight Division (CAO) monitors to ensure Owners comply with the program rules and regulations, Chapter 2306, Texas Government Code, the Land Use Restriction Agreement (LURA) requirements and conditions, and representations imposed by the Application or award of funds by the Department. These rules do not address forms and other records that may be required of Development Owners by the IRS or other governmental entities, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS or other governmental audit.

## §60.102. Definitions.

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise. Other capitalized terms not defined herein are defined in §1.1 of this title.

(1) Affordability Period--The Affordability Period commences as specified in the Land Use Restriction Agreement (LURA) or federal regulation, or commences on the first day of the Compliance Period as defined by §42(i)(1) in the United States Internal Revenue Code of 1986 and continues through the appropriate program's affordability requirements or termination of the LURA, whichever is earlier. The term of the Affordability Period shall be imposed by the LURA or other deed restriction and may be terminated upon foreclosure. The Department reserves the right to extend the Affordability Period for HOME properties that fail

to meet program requirements. During the Affordability Period the Department shall monitor to ensure compliance with programmatic rules, regulations, and Application representations.

~~(2) Application--An Application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material, pursuant to §2306.6702 in the Texas Government Code.~~

(2) ~~(3)~~ Architect of Record--The architect licensed in the jurisdiction that the project is located in, who prepares, stamps and signs the construction documents, and is legally recorded as the architect for the project.

~~(4) Board--The governing Board of the Texas Department of Housing and Community Affairs.~~

~~(5) Code--The U.S. Internal Revenue Code of 1986, as amended from time-to-time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service (IRS).~~

~~(6) Compliance Period--With respect to a Housing Tax Credit (HTC) building, the period of fifteen (15) taxable years, beginning with the first year of the Credit Period, pursuant to §42(i)(1) in the Code.~~

(3) ~~(7)~~ Continuously Occupied--The same household has resided in the Unit for at least twelve (12) months.

~~(8) Credit Period--With respect to a HTC building, the period of ten (10) taxable years, beginning with the taxable year the building is placed in service or at the election of the Development Owner, the succeeding taxable year, as more fully defined in §42(f)(1) in the Code.~~

~~(9) Department--The Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas, pursuant to Chapter 2306 in the Texas Government Code.~~

~~(10) Development--A property or work, or a project, building, structure, facility or undertaking, whether existing, new construction, remodeling, improvement or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306 in the Texas Government Code.~~

(4) ~~(11)~~ Extended Use Period--With respect to a HTC building, the period beginning on the first day of the Compliance Period and ending the later of:

(A) the date specified in the Land Use Restriction Agreement; or

(B) the date which is fifteen (15) years after the close of the Compliance Period.

~~(12) Historically Underutilized Business (HUB)--Any entity defined as a historically underutilized business with its principal place of business in the State of Texas in accordance with Chapter 2161 in the Texas Government Code.~~

(5) ~~(13)~~ Housing Quality Standards--The property condition standards described in 24 CFR §982.401 in the Code of Federal Regulations.

(6) ~~(14)~~ HTC Development--Sometimes referred to as "HTC Property." A Development using Housing Tax Credits allocated by the Department.

~~(15) HUD--The United States Department of Housing and Urban Development.~~

(7) ~~(16)~~ HUD-regulated Building--The rents and utility allowances of the building are reviewed by HUD on an annual basis.

~~(17) Low Income Unit--A Unit that is intended for occupancy by an income eligible household, as defined by the Department or the Code.~~

~~(18) Land Use Restriction Agreement or LURA--An agreement between the Department and the Development Owner which is a binding covenant upon the Development Owner's successors in interest that encumbers the Development with respect to the requirements of~~

~~Chapter 2306 in the Texas Government Code, the Code, and the requirements of the various programs administered or funded by the Department.~~

(8) ~~(19)~~ Material Noncompliance.

(A) A HTC or Exchange Development located within the state of Texas will be classified by the Department as being in Material Noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the Material Noncompliance provisions, methodology, and point system of this title.

(B) Non-HTC Developments monitored by the Department with 1 - 50 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non-HTC Developments monitored by the Department with 51 - 200 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 50 points. Non-HTC Developments monitored by the Department with 201 or more Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 80 points.

(C) For all programs, a Development will be in Material Noncompliance if the noncompliance is stated in §60.123 ~~§60.121~~ of this chapter to be Material Noncompliance.

(9) (~~20~~) Non-HTC Development--Sometimes referred to as Non-HTC Property. Any Development not utilizing Housing Tax Credits or Exchange funds.

(10) (~~21~~) Owner--An individual, joint venture, partnership, limited partnership, trust, firm, corporation, limited liability company, other form of business organization or cooperative that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing Development, subject to the regulatory powers of the Department and other terms and conditions.

(11) (~~22~~) Substantial Construction--

(A) The minimum activity necessary to meet the requirements of substantial construction for new construction Developments will be defined as:

(i) delivery of an executed partnership agreement with the investor or other documents setting for the legal structure and ownership;

(ii) delivery of the executed construction loan and construction loan agreement;

(iii) completion of the foundation of the clubhouse (if applicable);

(iv) having all infrastructure permits;

(v) all grading completed (not including landscaping);

(vi) all necessary utilities available at the property;

(vii) all Right of Way access; and

(viii) 10 percent of the construction contract amount for the Development expended, adjusted for any change orders and certified by the inspecting architect.

(B) The minimum activity necessary to meet the requirement of Commencement of Substantial Construction for rehabilitation Developments will be defined as having:

(i) building permits issued or a clearance from the City stating that building permits are not required;

(ii) a certification that there are no reasonably foreseeable issues or circumstances which may prevent or delay the start and progress of construction or the timely successful completion of rehabilitation; and

(iii) at least 20 ~~twenty (20)~~ percent of the construction budget expended as documented by the inspecting architect.

~~(23) Unit--Any residential rental Unit in a Development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis that contains complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation.~~

(12) ~~(24)~~ Unit Type--Units will be considered different Unit Types if there is any variation in the number of bedroom, bathrooms or a square footage difference equal to or more than one-hundred twenty (120) square feet. *Example 102(1):* A two (2) bedroom/one (1) bath Unit is considered a different Unit Type than a two (2) bedroom/two (2) bath Unit. A three (3) bedroom/two (2) bath Unit with 1,000 square feet is considered a different Unit Type than a three (3) bedroom/two (2) bath Unit with 1,200 square feet. A one (1) bedroom/one (1) bath Unit with 700 square feet will be considered equivalent to a one (1) bedroom/one (1) bath Unit with 800 square feet.

(13) ~~(25)~~ UPCS--Uniform Physical Condition Standards as developed by the Real Estate Assessment Center of the Department of Housing and Urban Development.

**§60.103. Construction Monitoring.**

(a) The Department will monitor the entire construction phase for all applicable requirements according to the level of risk. After Final Construction during the Affordability Period, the Department will periodically monitor the Development to assure that the initial compliance review was correct.

(b) The Department will not provide any funding to any Development unless the Owner certifies that the housing Development is, or will be upon completion of construction, in compliance with the following housing laws:

(1) state and federal fair housing laws, including Chapter 301, Property Code, the Texas Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601, et seq.), and the Fair Housing Amendments of 1988 (42 U.S.C. §§3601, et seq.);

(2) the Civil Rights Act of 1964 (42 U.S.C. §§2000a, et seq.);

(3) the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101, et seq.); and

(4) Section 504, Rehabilitation Act of 1973 (29 U.S.C. §§701, et seq.). (§2306.257)

(c) Evidence of Commencement of Substantial Construction must be submitted no later than the deadline established in the Development's Commitment Notice. Four percent BOND properties are not required to submit evidence of Substantial Construction.

(d) Copies of any construction reports supplied to a syndicator must be supplied to the Department upon request.

(e) Copies of any reports issued during construction that indicate changes that affect the representations made during the Application process must be supplied to the Department upon request.

(f) Owners are required to submit evidence of construction completion within thirty (30) days of completion in a format prescribed by the Department. In addition, the Architect of Record must submit a certification that the Development was built in compliance with all applicable laws.

(g) The Department will conduct a final inspection after receipt of notification of construction completion. During the inspection, the Department will confirm that committed amenities have been provided and will inspect for compliance with the applicable laws referenced in subsection (b) of this section. In addition, a UPCS inspection may be completed.

(h) Owners will be provided a written notice after the final inspection. If any deficiencies are noted, a ninety (90) day corrective action period will be provided.

(i) Forms 8609 and final retainage will not be released until the Owner receives written notice from the Department that all noted deficiencies have been resolved.

(j) During any construction inspection, if the Owner and the Department are unable to agree that an identified issue is a violation, the Owner must request Alternative Dispute Resolution. The process for engaging ADR is outlined in §60.125 ~~§60.123~~ of this chapter.

**§60.104. Recording of Land Use Restriction Agreements (HTC Properties).**

(a) In general, no credit is allowable for a building unless there is a properly executed LURA in effect at the end of the first year of the Credit Period. A draft of the proposed LURA must be provided no later than September 1st of the calendar year in which the Owner intends to have it recorded. The Department cannot guarantee that a draft LURA received after September 1st will be processed in the same calendar year.

(b) LURAs will impose the rent and income restrictions identified in the Development's final underwriting report. (c) The Department will not issue Forms 8609 until it receives the original, properly recorded LURA <u>or has alternative arrangements, acceptable to the Department and its counsel in place.</u>

**§60.105. Reporting Requirements.**

(a) The Department requires reports to be submitted electronically through the Department's web-based Compliance Monitoring and Tracking System (CMTS) and in the format prescribed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be filed no later than September 1st of the year following the award. The Department will provide general instruction regarding the electronic transfer of data. Under special circumstances, the Department may, at its discretion, waive the online reporting requirements where a hardship can be demonstrated. In the absence of a written waiver, all Developments are required to submit reports online.

(b) Each Development is required to submit an Annual Owner's Compliance Report (AOCR). Depending on the property, some or all of the Report must be submitted. The first AOCR is due the second year following the award. For example, if a Development is awarded funds in calendar year 2007, the first report is due in 2009. The AOCR is comprised of 4 sections:

(1) Part A "Owner's Certification of Program Compliance." All Development Owners must annually certify to compliance with applicable program requirements. The AOCR Part A shall include answers to all questions required by Treasury Regulation 1.42-5(b)(1) or the applicable program rules. In addition, Owners are required to report on the race and ethnicity, family composition, age, income, use of rental assistance, disability status, and monthly rental payments of individuals and families applying for and receiving assistance. HTC Developments during the Compliance Period will also be required to provide the name and mailing address of the syndicator in the Annual Owner's Compliance Report.

(2) Part B "Unit Status Report." All Developments must annually report the information related to individual household income, rent, certification dates and other necessary data to ensure compliance with applicable program regulations.

(3) Part C "Housing for Persons with Disabilities." The Department must establish a system that requires Owners of state or federally assisted housing Developments with 20 or more housing Units to report information regarding housing Units designed for persons with disabilities. The questions on Part C satisfy this requirement.

(4) Part D "Owner's Financial Certification." Developments funded by the Department must annually provide the data requested in the Owner's Financial Certification.

(c) Parts A, B and C of the Annual Owner's Compliance Report must be provided to the Department no later than March 1st of each year, reporting data current as of December 31st of the previous year (the reporting year). Part D, "Owner's Financial Certification", which

includes the current audited financial statements and income and expenses of the Development for the prior year, must be submitted to the Department no later than the last day of April each year.
(d) Any Development for which the AOCR, Part A, "Owner's Certification of Program Compliance," is not received or is received past the due date will be considered not in compliance with this section. If Part A is incomplete, improperly completed, or is not submitted by the Development Owner, it will be considered not received and not in compliance with this section. The Department will report to the IRS on Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, any HTC Development that fails to comply with this requirement.
(e) Department staff will review Part A of the AOCR for compliance with the requirements of the appropriate program. If it appears that the Development is not in compliance based upon the report, the Owner will be given written notice and provided a corrective action period to clarify or correct the report. If the Owner does not respond to the notice, the report will be subject to the sanctions listed in subsections (f) and (g) of this section.
(f) If any required section, or sections (Parts A, B, C or D), of the report are not received on or before the deadline for submission specified in subsection (c) of this section, a notice of noncompliance will be sent to the Owner, specifying a corrective action deadline. If the report is not received on or before the corrective action deadline, the Department shall:
(1) For all HTC properties, issue Form 8823 notifying the IRS of the violation; and
(2) For all properties, score the noncompliance in accordance with §60.123 ~~§60.121~~ of this chapter.
(g) The Department may assess and enforce the following sanctions against an Owner who fails to submit the AOCR on or before March 1st of each year and has multiple, consistent, and/or repeated violations of failure to submit the AOCR by March 1st of each year:
(1) a late processing fee in the amount of $1,000; and/or
(2) a HTC Development that fails to submit the required AOCR for three (3) consecutive years may be reported to the IRS as no longer in compliance and never expected to comply.
(h) Periodic Unit Status Reports. All Developments must submit a Quarterly Unit Status report to the Department through the Compliance Monitoring and Tracking System (CMTS). Quarterly reports are due in January, April, July, and October on the 10th day of the month. The report must show occupancy as of the last day of the previous month for the reporting period. For example, the report due October 10th should report occupancy as of September 30th. The first quarterly report is due January 10, 2010.
(i) Owners are encouraged to continuously maintain current resident data in the Department's CMTS. Under certain circumstances, such as in the event of a natural disaster, the Department may require all Developments to provide current occupancy data through CMTS.
(j) All rental Developments funded or administered by the Department will be required to submit a current Unit Status Report prior to an onsite monitoring visit.
(k) Exchange developments must submit form 8609 with lines 7, 8(b), 9(b), 10(a), 10(c) and 10(d) thirty days after the Department issues the executed form(s).

**§60.106. Record Keeping Requirements.**
(a) Development Owners must comply with program recordkeeping requirements. Records must include sufficient information to comply with the reporting requirements of §60.105 of this chapter and any additional programmatic requirements. HTC Development Owners must retain records sufficient to comply with the reporting requirements of Treasury Regulation 1.42-5(b)(1). Records must be kept for each qualified Low Income Unit and building in the

Development, commencing with lease up activities and continuing on a monthly basis until the end of the Affordability Period.
(b) Each Development that is administered by the Department must retain records as required by the specific funding program rules and regulations. In general, retention schedules include but are not limited to the provision of subsections (c) - (f) of this section.
(c) HTC records must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building (§1.42-5(b)(2) of the Code).
(d) Retention of records for HOME rental Developments and the CDBG Disaster Recovery program must comply with the provisions of 24 CFR §92.508(c), which generally requires retention of rental housing records for five years after the Affordability Period terminates.
(e) Housing Trust Fund (HTF) rental Developments must retain tenant files for at least three years beyond the date the tenant moves from the Development. Records pertinent to the funding of the award, including but not limited to the Application, Development costs and documentation, must be retained for at least five years after the Affordability Period terminates. (f) Other rental Developments funded or administered in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

**§60.107. Notices to the Department.**
(a) If any of the events in paragraphs (1) - (3) of this subsection occur, written notice must be provided to the Department within the timeframes as follows:
(1) Any sale, transfer, exchange, of the Development or any portion of the Development. Notification must be provided at least thirty (30) days prior to this event.
(2) The Development suffers in whole or in part a casualty loss. Notification must be provided within thirty (30) days following the event of loss using the Department's Notice of Casualty Loss (for general casualty losses) or Notice of Disaster Casualty Loss (specific to loss as a result of a Presidentially Declared Disaster).
(3) Owners of Bond Developments shall notify the Department of the date 10 percent of the Units are occupied and the date 50 percent of the Units are occupied within ninety (90) days of such dates.
(b) Owners are responsible for maintaining current information (including contact persons, physical addresses, mailing addresses, email addresses, and phone numbers) for the Ownership entity and management company in the Department's Compliance Monitoring and Tracking System (CMTS). Treasury Regulations require the Department to notify Housing Tax Credit Owners of upcoming reviews and instances of noncompliance. The Department will rely on the information supplied by the Owner in CMTS to meet this requirement.

**§60.108. Determination, Documentation and Certification of Annual Income.**
(a) For all <u>rental</u> programs administered by the Department, annual income shall be determined consistent with the Section 8 Program, using the definitions of annual income described in HUD Handbook 4350.3 as amended from time to time. At the time of program designation as a low income household, owners must certify and document household income. In general, all low income households must be certified prior to move in.
(b) The Department permits Owners to use check stubs or other <u>firsthand</u> documentation of income and assets provided by the applicant or household in lieu of <u>third party</u> ~~employment~~

verification forms. It is not necessary to first attempt to obtain a third party ~~an employment~~ verification form as required by the HUD 4350.3.
(c) The Department requires the use of the TDHCA Income Certification form, unless the property also participates in the Rural Development or a project Based HUD program, in which case, the other program's income certification form will be accepted.

**§60.109. Utility Allowances.**
(a) The Department will monitor to determine if HTC, HOME, BOND, HTF, CDBG, NSP, TCAP and Exchange ~~TCEP~~ properties comply with published rent limits which include an allowance for tenant paid utilities. For HTC, TCAP and Exchange buildings, if the residents pay utilities directly to the owner of the building or to a third party billing company, and the amount of the bill is based on an allocation method or "ratio utility billing system" (RUBS), this monthly amount will be considered a mandatory fee. For HTC, TCAP and Exchange buildings, if the residents pay utilities directly to the owner of the building or to a third party billing company, and the amount of the bill is based on the tenant's actual consumption, owners may account for the utility in an allowance. The rent, plus all mandatory fees, plus an allowance for those utilities paid by the resident directly to a utility provider, must be less than the allowable limit. For HOME, BOND, HTF, NSP and CDBG ~~Non-HTC~~ buildings, owners may account for utilities paid directly to the owner or to a third party billing company in their utility allowance. Where residents are responsible for some, or all, of the utilities--other than telephone, cable, and internet--Development Owners must use a utility allowance that complies with both this section and the applicable program regulations. An Owner may not change utility allowance methods without written approval from the Department. Any such request must include the Utility Allowance Questionnaire found on the Department's website.
(b) Rural Housing Service (RHS) buildings or buildings with RHS assisted tenants. The applicable utility allowance for the Development will be determined under the method prescribed by the Rural Housing Service (or successor agency). No other utility method described in this section can be used by RHS buildings or buildings with RHS assisted tenants.
(c) HUD-Regulated buildings layered with any Department program. If neither the building nor any tenant in the building receives RHS rental assistance payment, and the rents and the utility allowances of the building are reviewed by HUD on an annual basis (HUD-regulated building), the applicable utility allowance for all rent restricted Units in the building is the applicable HUD utility allowance. No other utility method described in this section can be used by HUD-regulated buildings.
(d) Other Buildings. For all other rent-restricted Units, Development Owners must use one of the following methods:
(1) The utility allowance established by the applicable Public Housing Authority (PHA) for the Section 8 Existing Housing Program. The Department will utilize Texas Local Government Code Chapter 392 to determine which PHA is the most applicable to the Development. If the PHA publishes different schedules based on building type, the owner is responsible for implementing the correct schedule based on the development's building type(s). *Example 109(1):The applicable PHA publishes a separate utility allowance schedule for Apartments (5+ units), one for Duplex/Townhomes and another for Single Family Homes. The development consist of 20 building, 10 of which are Apartments (5+ units) and the other 10 buildings are Duplexes. The owner must use the correct schedule for each building type.* In the event the PHA publishes a utility allowance schedule specifically for energy efficient units, the owner must demonstrate that the building(s) meet the housing authority's specifications for energy efficiency on an ongoing basis. If the property is located in an area

that does not have a municipal, county or regional housing authority that publishes a utility allowance schedule for the Section 8 Existing Housing Program, owners must select an alternative methodology. If the applicable PHA allowance lists flat fees for any utility, those flat fees must be included in the calculation of the utility allowance if the resident is responsible for that utility. If an Owner chooses to implement a methodology as described in paragraphs (2), (3), (4), or (5) of this subsection, for Units occupied by Section 8 voucher holders, the utility allowance remains the applicable PHA utility allowance established by the PHA from which the household's voucher is received.

(2) A written estimate from a local utility provider. If there are multiple utility companies that service the Development, the local provider must be a residential utility company that offers service to the residents of the Development requesting the methodology. The Department will use the Texas Electric Choice website: http://www.powertochoose.org/ ~~http://www.powertochoose.org/_content/_compare/ compare.aspx~~ to verify the availability of service. If the utility company is not listed as a provider in the Development's ZIP code, the request will be denied. Additionally, the estimate must be signed by the utility provider representative and specifically include all "component ~~deregulated~~ charges" for providing the utility service. Receipt of the information from the utility provider begins the ninety (90) day period after which the new utility allowance must be used to compute gross rent.

(3) The HUD Utility Model Schedule. A utility estimate can be calculated by using the "HUD Utility Model Schedule" that can be found at http://www.huduser.org/portal/resources/utilmodel.html ~~http://www.huduser.org/datasets/lihtc/html~~ (or successor URL). The rates used must be no older than the rates in effect sixty (60) days prior to the beginning of the ninety (90) day period in which the Owner intends to implement the allowance. For Owners calculating a utility allowance under this methodology, the model, along with all back-up documentation used in the model, must be submitted to the Department, on a CD, within the timeline described in subsection (f) of this section. The date entered as the "Form Date" on the "Location" tab of the spreadsheet will be the date used to begin the ninety (90) day period after which the new utility allowance must be used to compute gross rent.

(4) An energy consumption model. The utility consumption estimate must be calculated by a properly licensed mechanical engineer or an individual holding a valid Residential Energy Service Network (RESNET) or Certified Energy Manager (CEM) certification. The individual must not be related to the Owner within the meaning of §267(b) or §707(b) of the Code. The utility consumption estimate must, at minimum, take into consideration specific factors that include, but are not limited to, Unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of building location. The ninety (90) day period after which the new utility allowance must be used to compute gross rent will begin sixty (60) days after the end on the last month of the twelve (12) month period for which data was used to compute the estimate.

(5) An allowance based upon an average of the actual use of similarly constructed and sized Units in the building using actual utility usage data and rates, provided that the Development Owner has the written permission of the Department. This methodology is referred to as the "Actual Use Method".

(e) For a Development Owner to use the Actual Use Method they must:

(1) provide a minimum sample size of usage data for at least five (5) Continuously Occupied Units of each Unit Type or 20 percent of each Unit Type whichever is greater. *Example 109(2)* ~~*109(1)*~~*:* A Development has twenty (20) three bedroom/one bath Units, and eighty (80) three bedroom/two bath Units. Each bedroom/bathroom equivalent Unit is within 120 square feet of the same floor area. Data must be supplied for at least five (5) of the three

bedroom/one bath Units, and sixteen (16) of the three bedroom/two bath Units. If there are less than five (5) Units of any Unit Type, data for 100 percent of the Unit Type must be provided.

(2) the following information must be scanned onto a CD and submitted to the Department no later than the beginning of the ninety (90) day period in which the Owner intends to implement the allowance, reflecting data no older than sixty (60) days prior to the ninety (90) day implementation period. *Example 109(3) ~~109(2)~~:* The utility provider releases the information regarding electric usage at Westover Townhomes on February 5, 2010~~2009~~. The data provided is from February 1, 2009~~2008~~ through January 31, 2010~~2009~~. The Owner must submit the information to the Department no later than March 31, 2010 ~~2009~~ for the information to be valid.

(A) An Excel spreadsheet listing each Unit for which data was obtained to meet the minimum sample size requirement of a Unit Type, the number of bedrooms, bathrooms and square footage for each Unit, the household's move-in date, the actual kilowatt usage, for each Unit for which data was obtained, and the rates in place at the time of the submission.

(B) A copy of the request to the utility provider (or billing entity for the utility provider) to provide usage data.

(C) All documentation obtained from the utility provider (or billing entity for the utility provider) and/or copies of actual utility bills gathered from the residents, including all usage data not needed to meet the minimum sample size requirement and any written correspondence from the utility provider.

(D) The rent roll showing occupancy as of the end of the month for the month in which the data was requested from the utility provider.

(E) Documentation of the current utility allowance used by the Development.

(3) Upon receipt of the required information, the Department will determine if the Development Owner has provided the minimum information necessary to calculate an allowance using the Actual Use Method. If so, the Department shall calculate the utility allowance for each bedroom size using the following guidelines:

(A) If data is obtained for more than 20 percent or five (5) of each Unit Type, all data will be used to calculate the allowance.

(B) If more than twelve (12) months of data is provided for any Unit, only the data for the most current twelve (12) months will be averaged.

(C) The allowance will be calculated by multiplying the average units of measure for the applicable utility (i.e. kilowatts over the last twelve (12) months by the current rate) for all Unit Types within that bedroom size. For example, if sufficient data is supplied for eighteen (18) two bedroom/one bath Units, and twelve (12) two bedroom/two bath Units, the data for all 30 Units will be averaged to calculate the allowance for all two bedroom Units.

(D) The allowance will be rounded up to the next whole dollar amount. If allowances are calculated for different utilities, each utility's allowance will be rounded up to the next whole dollar amount and then added together for the total allowance.

(E) If the data submitted indicates zero (0) usage for any month, the data for that Unit will not be used to calculate the Utility Allowance.

(4) The Department will complete its evaluation and calculation within forty five (45) days of receipt of all the information requested in paragraph (2) of this subsection.

(5) Receipt of approval from the Department will begin the ninety (90) day period after which the new utility allowance must be used to compute gross rent.

(6) For newly constructed Developments or Developments that have Units which have not been continuously occupied, the Department, on a case by case basis, may use consumption

data for Units of similar size and construction in the geographic area to calculate the utility allowance.
(f) Effective dates. If the Owner uses the methodologies as described in subsections (b), (c), or (d)(1) of this section, any changes to the allowance can be implemented immediately, but must be implemented for rent due ninety (90) days after the change. For methodologies as described in subsection (d)(2) - (5) of this section, the allowance cannot be implemented until the estimate is submitted to the Department and is made available to the residents by posting in a common area of the leasing office at the Development. This action must be taken by the beginning of the ninety (90) day period in which the Owner intends to implement the utility allowance. With the exception of the methodology described in subsection (d)(5) of this section, if a response is not received by the Department within the ninety (90) day period, the Owner may temporarily use the submission as a safe harbor until the Department provides written authorization (the Owner cannot assume that the allowance is approved by the Department but can operate in good faith prior to notification). Failure to submit the proposed utility allowance to the Department and make it available to the residents will result in a finding of noncompliance.
(g) Requirements for Annual Review. Owners utilizing the methods described in subsection (b) and (c) must demonstrate the utility allowance has been reviewed annually. Any change in the method described in subsection (d)(1) of this section can be implemented immediately, but must be implemented for rent due ninety (90) days after the change. Owners utilizing the methods described in subsection (d)(2) - (5) of this section must submit to the Department, once a calendar year, copies of the utility estimate and simultaneously make the estimate available to the residents by posting the estimate in a common area of the leasing office at the Development. Changes in utility allowances cannot be implemented until the estimate has been submitted to the Department and made available to the residents by posting in the leasing office for a ninety (90) day period. The back-up documentation required by the methodology the Owner has chosen must be submitted to the Department for approval no later than October 1st; however, the Department encourages Owners to submit documentation prior to the October 1st deadline in order to ensure that the Department has adequate time to review and respond to the Owner's estimate.
(h) Combining Methodologies. With the exception of HUD regulated buildings and RHS buildings, Owners may combine any methodology described in this section for each utility service type paid directly by the resident and not by or through the Owner of the building (electric, gas, etc.). For example, if residents are responsible for electricity and gas, an Owner may use the appropriate PHA allowance to determine the gas portion of the allowance and use the Actual Use Method to determine the electric portion of the allowance.
(i) Increases in Utility Allowances for Developments with HOME funds. Unless otherwise instructed by HUD, the Department will permit owners to implement ~~Because the HOME final rule does not provide a grace period for implementing increased utility allowances,~~ changes in utility allowance~~s~~ in the same manner as Housing Tax Credit program ~~must be implemented on the published effective date~~.
(j) The owner shall maintain and make available for inspection by the tenant the data upon which the utility allowance schedule is calculated. Records shall be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling Unit of the tenant at the convenience of both the apartment owner and tenant.

**§60.110. Lease Requirements (HTC and HOME Properties).**

(a) For HTC properties, Revenue Ruling 2004-82 prohibits the eviction or termination of tenancy of low income households for other than good cause throughout the entire Affordability Period, and for three (3) years after termination of an extended low-income housing commitment. Owners executing or renewing leases after November 1, 2007 shall specifically state in the lease or in an addendum attached to the lease that evictions or terminations of tenancy for other than good cause are prohibited.

(b) For HOME properties, the HOME Final Rule prohibits Owners from evicting low income residents or refusing to renew a lease except for serious or repeated violations of the terms and conditions of the lease, for violations of applicable federal, state or local law, for completion of the tenancy period for transitional housing, or for other good cause. To terminate tenancy, the Owner must serve written notice to the tenant specifying the grounds for the action at least thirty (30) days before the termination of tenancy. Owners executing or renewing leases after November 1, 2007 shall specifically state in the lease or in an addendum attached to the lease that evictions or non-renewal of leases for other than good cause are prohibited (24 CFR §92.253).

(c) The Department does not determine if an Owner has good cause or if a resident has violated the lease terms. If there is a challenge to a good cause eviction, that determination will be made by a court of competent jurisdiction or an agreement of the parties in arbitration. The Department will rely on the court decision or the agreement of the parties.

(d) HTC and BOND properties must use a lease or lease addendum that requires households to report changes in student status.

(e) Owners of Housing Tax Credit Developments are prohibited from locking out or threatening to lock out any Development resident, or seizing or threatening to seize the personal property of a resident, except by judicial process, for the purposes of performing necessary repairs or construction work, or in cases of emergency. These prohibitions must be included in the lease or lease addendum.

**§60.111 Annual Recertification for all Programs and Student Requirements for HTC, Exchange, TCAP and BOND Developments.**

(a) Recertification Requirements for 100 percent low income HTC, Exchange and TCAP Developments:

(1) Regardless of the requirements stated in a LURA, the Department will not monitor to determine if 100 percent low income Housing Tax Credit Developments perform annual income recertifications. Households will maintain the designation they had at initial certification.

(2) To comply with HUD reporting requirements, once every calendar year, the Development must collect a self certification from each household that reports the following: the number of household members, age, ethnicity, race, disability status, rental amounts and rental assistance (if any). In addition, the self certification will collect information about student status to establish ongoing compliance with the HTC program. The Development must collect this self certification information on the Department's Annual Eligibility Certification form (AEC) and must maintain the certification in all household files.

(3) One-Hundred percent low income Housing Tax Credit Developments that continue to complete annual income recertifications are required to obtain the AEC form described above and maintained it in all household files. The Department will not review recertification documentation during a monitoring review unless noncompliance is identified with the initial

certification. Failure to complete the AEC form will result in a noncompliance finding under, "Failure to maintain or provide Annual Eligibility Certification" and scored in the Department's Compliance Status System as applicable.

(b) Recertification Requirement for Mixed Income HTC, Exchange and TCAP Developments: HTC projects (as defined on Part II question, 8b of IRS form 8609) with Market Units must complete annual income recertifications. See §60.112 for maintaining compliance with the Available Unit Rule.

(c) Student Requirements for HTC, Exchange and TCAP Developments: Changes to student status reported by the household at anytime during their occupancy or on the AEC require the Owner to determine if the household continues to be eligible under the HTC program. During the Compliance period, if the household is comprised of full- time students, the household must meet a HTC program exception, and documentation must be maintained in the household's file. The Development must have a statement in a lease addendum (or in their lease contract) that requires households to report changes in their student status. During the Compliance Period, Noncompliance with this section will result in the issuance of IRS form 8823 reporting noncompliance under, "Low-income Units occupied by nonqualified full-time students" and scored in the Department's Compliance Status System as applicable. Regardless of the requirements stated in a LURA, after the Compliance Period, the Department will not monitor to determine if households meet the student requirements of the Housing Tax Credit program.

(d) Recertification Requirements for BOND Developments:

Regardless of the requirements stated in a LURA the Department will not monitor to determine if 100 percent income restricted Bond developments (all units required to be leased to low-income and eligible tenants) perform annual income recertifications. Households will maintain their designation they had at initial certification.

(e) Student Requirements for BOND Developments:

Bond Developments must continue to annually screen households for student status. The Owner must use the Department's Certification of Student Eligibility form and it must be maintained in the household's file. Changes to student status that the household reports at anytime during their occupancy or during annual screening for student status, require the Owner to determine if the household continues to be eligible under the Bond program. If the household is comprised of full-time students then the household must meet a program exception, which must be documented and maintained in the household's file. If the household is not an eligible student household, it may be possible to re-designate the full-time student household to a Eligible Tenant (ET). The Development must have a statement in a lease addendum (or in their lease contract) that requires households to report changes in their student status. Noncompliance with this section will result in a noncompliance finding under, "Low-income Units occupied by nonqualified full-time students" and scored in the Department's Compliance Status System as applicable.

(f) Recertification Requirements for HOME Developments:

(1) For HOME Investment Partnership Developments, in accordance with 24 CFR §92.203 and §92.252 of the HOME Final Rule, regardless of the requirements stated in a LURA,

recertification requirements will be monitored as shown in paragraph (2)(A) – (E) of this subsection.

(2) HOME Developments must complete a recertification with verifications of each HOME assisted Unit every sixth year of the Development's affordability period. For purposes of this section the beginning of a HOME Development affordability period is the effective date on the first page of the HOME LURA. For example, a HOME Development with a LURA effective date of May 2001 will have the sixth year of the affordability period determined in *Example 111(1):*

(A) Year 1: May 2001 – April 2002
(B) Year 2: May 2002 – April 2003
(C) Year 3: May 2003 – April 2004
(D) Year 4: May 2004 – April 2005
(E) Year 5: May 2005 – April 2006
(F) Year 6: May 2006 – April 2007

(3) In this scenario above, all households in HOME Units must be recertified with source documentation between May 2006 to April 2007, even if a household moved in to the Development in 2005. In the intervening years the Development must collect a self certification from each household that is assisted with HOME funds. The form must report the following: the number of household members, age, income and assets, ethnicity, race, disability status, rental amounts and rental assistance (if any). The Development must use the Department's Income Certification form to collect this information and it must be maintained in the household's file. Noncompliance with this section will result in a noncompliance finding of, "Owner failed to maintain or provide tenant annual income recertification" and scored in the Department's Compliance Status System as applicable. If the household reports on their self certification that their household income is above the current 80 percent applicable income limit or there is evidence that the household's written statement failed to completely and accurately provide information about the household's characteristics and/or income, then a recertification with verifications is required.

(4) Fixed HOME Developments (defined as 100 percent of the Units in the Development are HOME assisted), that contain households with an annual income greater than the 80 percent applicable income limit at recertification must be designated as over income (OI) and the rent charged must be 30 percent of the household's adjusted income. The Next Available Unit must be leased to a household with an income and rent less than either the Low or High HOME limit depending on what designation the Development needs to maintain compliance with the HOME LURA. Noncompliance with this section will result in a noncompliance finding of "Household income increased above 80 percent at recertification and owner failed to properly determine rent" and scored in the Department's Compliance Status System as applicable.

(5) Floating HOME Developments with Market Units (defined when only a percentage of the Units are HOME assisted),that contain households with income greater than 80 percent at recertification must be designated as over income (OI) and the rent charged will be the lesser of 30 percent of the household's adjusted income or comparable Market rent. The Next Available non-HOME Unit on the Development must be leased to a household with income and rent less than either the Low or High HOME limit depending on what designation the Development needs to maintain compliance with the HOME LURA. The OI household may be redesignated as Market once the OI Unit is replaced with another low-income Unit and in accordance with the lease terms. A 30 day written notice of a rent increase must be provided to the OI household. Noncompliance with this section will result in a noncompliance

finding of, "Household income increased above 80 percent at recertification and owner failed to properly determine rent" and scored in the Department's Compliance Status System as applicable.

(6) One-hundred percent low income HOME Developments layered with other Department affordable housing programs, that contain household's with income greater than 80 percent at recertification, must be designated as over income (OI) under the HOME program. The rent charged must be the lesser of 30 percent of the household's adjusted income or the gross rent allowable under the other program's rent limit. The Development must maintain compliance with all applicable program rent requirements. Noncompliance with this section will result in a noncompliance finding of, "Household income increased above 80 percent at recertification and owner failed to properly determine rent" and scored in the Department's Compliance Status System as applicable.

(g) Recertification Requirements for One-Hundred HTF Developments: Regardless of the requirements stated in a LURA, the Department will not monitor to determine if 100 percent low income Housing Trust Fund Developments performed annual income recertifications. The household will maintain its initial low-income designation at move in and throughout the household's occupancy i.e. (Extremely Low Income, Very Low Income and Low Income) provided that the Owner does not charge gross rent in excess of the applicable rent limit.

(h) Recertification Requirements for HTF Developments with Market units: Housing Trust Fund Developments with Market Units in one or more buildings (as evidenced in their LURA) must perform annual income recertifications of all households residing in Program Units. The HTF program requires Developments to comply with the Available Unit Rule. If a household's income exceeds 140 percent of the recertification limit (highest income tier), the household must be redesignated as over-income (OI) and the Next Available Unit on the property must be leased to a household with an income and rent less than the (EVI, VL and LI) limit depending on what designation the property needs to maintain compliance with the LURA. The OI household may be redesignated in accordance with lease terms as Market once the OI Unit is replaced with another low-income Unit.

(i) Recertification Requirements for CDBG and NSP Developments: A CDBG or NSP Developments are not required to perform annual recertifications unless the CDBG and NSP LURAs specifies this requirement.

~~§60.111. Income at Recertification (Housing Tax Credit Properties).~~

~~(a) Under the Code, HTC Development Owners elect a minimum set-aside requirement of 20/50 or 40/60 (20 percent of the Units restricted to the 50 percent income and rent limits, or 40 percent of the Units restricted to the 60 percent income and rent limits). The minimum set-aside elected by the Development Owner sets the maximum income and rent limits at the property. The Housing Tax Credit program requires mixed income properties to comply with the Available Unit Rule. Regardless of this section, if a household's income exceeds 140 percent of the income limit elected by the minimum set-aside, owners must comply with the Available Unit Rule. Many HTC Development Owners agreed to lease Units to households with an annual income and rent lower than the maximum limits (for example, at the 30 percent, 40 percent or 50 percent income and rent limits) established by the minimum set-aside election of the Owner. This requirement is referred to as "additional occupancy restrictions" and is reflected in the Development's Land Use Restriction Agreement (LURA). When monitoring, the Department will examine the actual rent and income levels of all~~

~~tenants to determine if additional rent and income requirements in the LURA are being met. Household income at recertification for the additional occupancy restrictions will be monitored as follows:~~

~~(1) Households initially designated at the 30 percent income and rent limits. If upon recertification, the household's income exceeds the 30 percent limit, the Unit will continue to meet the 30 percent set-aside requirement provided that the Owner does not charge rent in excess of the 30 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 30 percent limits. If the household is replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set-aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.~~

~~(2) Households initially designated at the 40 percent income and rent limits. If upon recertification, the household's income exceeds the 40 percent limit, the Unit will continue to meet the 40 percent set-aside requirement provided that the Owner does not charge rent in excess of the 40 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance, provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 40 percent limits. If the household is replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set-aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.~~

~~(3) Households initially designated at the 50 percent income and rent limits (for HTC properties with the 40/60 minimum set-aside). If upon recertification, the household's income exceeds the 50 percent income limit, the Unit will continue to meet the 50 percent set-aside provided that the Owner does not charge rent in excess of the 50 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 50 percent limits. Once the household has been replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set-aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.~~

~~(b) This section does not apply to households designated at the maximum income and rent limits required by the Code. Nor does this section in any way require a Development to lease more Units under the additional occupancy restrictions than established in the LURA.~~

~~(c) For those properties that are not required to perform recertifications, households will maintain the designation they had at move in. Owners must ensure that lower rent restrictions are adhered to throughout the household's occupancy.~~

~~(d) Preservation, HTF, and BOND Developments, with any market Units in one or more buildings (as evidenced in their LURA) must continue to perform annual recertifications of all households residing in program units. Owners of 100 percent low income Developments are not required to perform annual income recertifications. HTC Owners must perform annual income recertifications if the project has any market rate Units. For HTC Developments, the election made on Part II of the 8609 will determine if a building is part of a project. HTC Development Owners must submit Forms 8609 with Part II completed. The Department may also require HTC Owners to complete Form 8821 to permit the Department to confirm the elections with the IRS.~~

~~(e) For HTC Developments in which the LURA requires 100 percent of the Units to be leased to income eligible families, the following recertification requirements apply:~~

~~(1) To comply with HUD reporting requirements, once every calendar year, the Development must collect a self-certification form from each household that reports the number of household members, the age of each household member, disability status, monthly rental assistance amounts received (if any), and race and ethnicity. In addition, the self-certification will collect information about student status to establish ongoing compliance under the HTC and BOND programs. The Development must use the Department's Annual Eligibility Certification to collect this information and must maintain the certification in all household files.~~

~~(2) On 100 percent low income Housing Tax Credit Developments, households may transfer to any Unit within the same project (as determined on Part II of the 8609 for HTC Developments). On mixed income Housing Tax Credit Developments, households may transfer to any Unit within the Development if, as of their most recent (re)certification, their income was less than 140 percent of the maximum allowable limit. If the owner of a Housing Tax Credit Development elected to treat each building as a separate project, households must be certified and low income to transfer to another building.~~

~~(3) Owners must review the Annual Eligibility Certification for the following items which would require further action:~~

~~(A) Changes in household composition. If members are added to an existing household, Owners must determine eligibility and complete a certification. The new household must be screened for income, assets and student status, and the existing Income Certification form must be updated. Owners must obtain first hand or third party verification of income and assets.~~

~~(i) If the Development becomes aware of the additions to households during the year, this action must be taken at the time the new household member moves in; Owners may not wait until the Annual Eligibility Certification is completed to take action. The Unit Status Report must be updated to reflect current circumstances as the property becomes aware of changes in household size.~~

~~(ii) If all original tenants have vacated the Unit, the remaining tenants must be certified as a new income-qualified household unless the tenants were income qualified at the time of move in. HTC Units in noncompliance will be reported to the IRS on Form(s) 8823 and/or scored in the Department's Compliance Status System as applicable.~~

~~(B) Student status. Developments must use a lease addendum (or incorporate into their lease) a requirement for households to report changes in student status. If, at any time, the household reports a change in student status or discloses a change on the Annual Eligibility Certification form, the Owner must determine if the household is still eligible under the program. If the household meets one of the exceptions, documentation supporting eligibility must be gathered and retained in the lease file. Units in noncompliance will be reported to the IRS on Form(s) 8823 and/or scored in the Department's Compliance Status System as applicable.~~

~~(4) Failure to complete the Annual Eligibility Certification and maintain the form in household files will result in an issue of noncompliance that will be scored as shown in Figure: 10 TAC §60.121(m) under "Failure to maintain or provide Annual Eligibility Certification". No Form(s) 8823 will be filed with the IRS for the noncompliance.~~

~~(5) If a 100 percent low income Development continues to complete full recertifications, the Annual Eligibility Certification form must still be completed and the Unit Status Report must be updated at the completion of the recertification. The Department will not review the~~

~~recertification paperwork during monitoring visits unless noncompliance is identified with the initial certification.~~

~~(f) For HOME Investment Partnership Developments, in accordance with 24 CFR §92.203 and §92.252 of the HOME Final Rule, the following recertification requirements apply:~~

~~(1) Once every calendar year, the Development must collect a self-certification form from each household that reports the household's income, number and ages of household members, student status, disability status, monthly rental assistance amounts received (if any), and race and ethnicity. The Development must use the Department's Income Certification form to collect this information and must maintain the certification in all household files. Failure to complete the Income Certification and maintain the form in household files will result in an issue of noncompliance that will be scored as shown in Figure: 10 TAC §60.121(m) under "Failure to maintain or provide Annual Eligibility Certification".~~

~~(2) HOME Developments must also complete full recertifications of each HOME Unit in every sixth year of the Development's Affordability Period. Example 111.1: A HOME property with an affordability period beginning in 2010 must perform full recertifications of all HOME households in 2015. All households must be re-certified, even households that moved in during 2014. Full recertifications at any other time are not required unless, the household self-reports an annual income in excess of the 80 percent Area Median Income or as stated in 24 CFR §92.252, there is evidence that the tenant's written statement failed to completely and accurately state information about the family's size or income or the property has otherwise been directed to institute full recertifications by the Department.~~

**60.112 Managing Additional Income and Rent Restrictions for HTC, Exchange and TCAP Developments.**

(a) Under the Code, HTC Development Owners elect a minimum set-aside requirement of 20/50 or 40/60 (20 percent of the Units restricted to the 50 percent income and rent limit, or 40 percent of the Units restricted at the 60 percent income and rent limits). The minimum set-aside elected sets the maximum income and rent limits for the low-income units on the Development. Many Developments have additional income and rent requirements (i.e. 30 percent, 40 percent and 50 percent) that are lower than the minimum set-aside requirement. This requirement is referred to as "additional occupancy restrictions" and is reflected in the Development's Land Use Restriction Agreement (LURA). The Department will examine the actual gross rent and income levels of all households to determine if the additional income and rent requirements of the LURA are met.

(b) For One-Hundred percent Developments that are not required to perform annual recertification, regardless of the requirements stated in the Development's LURA, the additional rent and occupancy restrictions will be monitored as follows:

(1) Households initially certified at the 30 percent income and rent limits. Households will maintain their designation they had at initial move-in. The Unit will continue to meet the 30 percent set-aside requirement provided that the Owner does not charge gross rent in excess of the 30% rent limit. When the household vacates the Unit, the next available Unit on the property is leased to a household with an income and rent less than the 30 percent limit.

(2) Households initially certified at the 40 percent income and rent limits. Households will maintain their designation they had at initial move in. The Unit will continue to meet the 40 percent set-aside requirement provided that the Owner does not charge gross rent in excess of the 40% rent limit. When the household vacates the Unit, the next available Unit on the property is leased to a household with an income and rent less than the 40 percent limit.

(3) Households initially certified at the 50 percent income and rent limits. Households will maintain their designation they had at initial move in. The Unit will continue to meet the 50 percent set-aside requirement provided that the Owner does not charge gross rent in excess of the 50 percent rent limit. When the household vacates the Unit, the next available Unit on the property is leased to a household with an income and rent less than the 50 percent limit.

(c)Mixed Income Housing Tax Credit Developments with Market Units will be monitored as follows:

(1) The Housing Tax Credit program requires Mixed Income Developments with Market Units to comply with the Available Unit Rule. When a household's income at recertification exceeds 140 percent of the applicable current income limit elected by the minimum set-aside, the owner must comply with the Available Unit Rule and lease the next available unit (same size or smaller) in the building to a low-income household to maintain compliance. For HTC Developments that are required to perform annual recertifications, the additional rent and occupancy restrictions will be monitored as follows:

(2) Households initially certified at the 30, 40 or 50 percent income and rent limits. Households will maintain the designation they had at initial move in unless the household's income exceeds 140 percent of the highest income tier established by the minimum set-aside. The Unit will continue to meet the designation that had at initial certification provided that the Owner does not charge gross rent in excess of the additional rent and occupancy rent limit. The household will not be required to vacate the Unit for other than good cause. When the household vacates the Unit, the next available Unit on the property must be leased so as to meet the property's additional rent and occupancy restrictions.

If the household's income exceeds 140 percent of the highest income tier established by the minimum set-aside the household must be redesignated as over-income (OI) and the Next Available Unit Rule must be followed.

(3) *Example 112(1)*: A household was initially certified at the 40 percent income limit at move in. The household's income increases at recertification above the 40 percent income limit to the 50 percent income limit. The Unit will continue to meet the 40 percent set-aside requirement provided that the Owner does not charge rent in excess of the 40 percent rent limit. When the household vacates the Unit, the Next Available Unit on the property is leased to a household with an income and rent less than the 40 percent limits.

(4) This section of the rule does not require HTC Developments to lease more Units under the additional occupancy restrictions than established in their LURA.

**60.113 Household Unit Transfer Requirements for all Programs.**

(a) Household Transfers for One-Hundred percent HTC, Exchange and TCAP Developments: For Housing Tax Credit Developments that are 100 percent low-income, a household may transfer to any Unit within the same project, as defined as a multiple building project on Part II, question 8b of the IRS form 8609. If the Owner elected to treat each building as a separate project, as defined on Part II, question 8b of the 8609 form, households must be certified as low-income (determined by the Development's minimum set-aside election) prior to moving to another building on the property.

(b) Household Transfers for Mixed Income HTC, Exchange and TCAP Developments: For Housing Tax Credit Developments that are Mixed Income with Market Units, a household may transfer to another building in the same project, as defined as a multiple building project on Part II of the IRS form 8609. if the household was not Over Income at the time of the last annual income recertification. If the Owner elected to treat each building as a separate project, as defined on Part II of the IRS form 8609, households must be certified as low-

income (determined by the Development's minimum set-aside election) prior to moving to another building on the property.
(c) BOND, HTF, HOME, CDBG and NSP for Household Transfers: For BOND, HTF, HOME, CDBG and NSP Developments that are 100 percent low-income, a household may transfer to any Unit within the Development. If the Development has Market Units in one or more buildings (as evidenced in their LURA), a household may transfer to any Unit within the Development as long as the household is income certified for the new Unit prior to transfer. The household must be redesignated under the current income limit for each program requirement(s). If the Development is layered with Housing Tax Credits, default to transfer guidelines under the HTC rules.
(d) Household Transfers in the Same Building for all Programs:
A Household may transfer to a new Unit within the same building. The unit designations will swap status. *Example 113(1):* Building 1 has 4 low-income Units. Units 1 through 3 are occupied by low-income households and Unit 4 is a vacant low-income unit. The household in Unit 2 moves to Unit 4 and the Unit designations swap status. Unit 2 is now a vacant low-income unit.

**§60.114. Requirements Pertaining to Households with Rental Assistance.**
(a) The Department will monitor to ensure Development Owners comply with §2306.269 and §2306.6728, Texas Government Code, regarding residents receiving rental assistance under Section 8, United States Housing Act of 1937 (42 U.S.C. §1437f).
(b) The policies, standards and sanctions established by this section apply only to:
(1) multifamily housing developments that receive the following assistance from the Department on or after January 1, 2002 (§2306.185 of the Texas Government Code);
(A) a loan or grant in an amount greater than 33 percent of the market value of the Development on the date the recipient took legal possession of the Development, or
(B) a loan guarantee for a loan in an amount greater than 33 percent of the market value of the Development on the date the recipient took legal title to the Development.
(2) multifamily rental housing Developments that applied for and were awarded housing tax credits after 1992;
(3) housing developments that benefit from the incentive program under §2306.805 of the Texas Government Code; and
(4) housing Developments that receive funding from the HOME program (24 CFR §92.252(d)).
(c) Owners of multifamily rental housing developments described in subsection (a) of this section are prohibited from:
(1) excluding an individual or family from admission to the Development because the individual or family participates in the HOME Tenant Based Rental Assistance Program or the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. §1437f); and
(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual's or family's share of the total monthly rent payable to the Owner of the Development. A household participating in the voucher program or receiving any other type of rental assistance may not be required to have a minimum income exceeding $2,500 per year.
(d) To demonstrate compliance with this section, Owners shall:
(1) State in their leasing criteria that the Development will comply with state and federal fair housing and antidiscrimination laws;

(2) Apply screening criteria uniformly, (rental, credit, and/or criminal history) including employment policies, and in a manner consistent with the Texas and Federal Fair Housing Acts, program guidelines, and the Department's rules;

(3) Approve and distribute an Affirmative Marketing Plan that will be used to attract prospective applicants of all minority and non-minority groups in the housing market area regardless of their race, color, religion, sex, national origin, disability, familial status, or religious affiliation. Racial groups to be marketed to may include White, African American, Native American, Alaskan Native, Asian, Native Hawaiians or Other Pacific Islanders. Other groups in the housing market area who may be subject to housing discrimination include, but are not limited to, Hispanic or Latino groups, persons with disabilities, families with children, or persons with different religious affiliations. The Affirmative Marketing plan must be provided to the property management and onsite staff. Owners are encouraged to use HUD Form 935.2A, and may use any version of this Form ~~or successors~~ as applicable. The Affirmative Marketing Plan must identify the following:

(A) Which group(s) the Owner believes are least likely to apply for housing at the Development without special outreach. All Developments must select persons with disabilities as one of the groups identified as least likely to apply. When identifying racial/ethnic minority groups the property will market to, factors such as the characteristics of the housing's market area should be considered. *Example 114(1)* ~~*112.1:*~~ An Owner obtains census data showing that 6.5 percent of the city's total population are identified as Asian Americans. However, the Owner's demographic data for the Development shows that zero (0) Asian American households are represented. The Owner chooses to identify Asian American groups as one of the groups least likely to apply at the Development without special outreach.

(B) Procedures that will be used by the Owner to inform and solicit applications from persons who are least likely to apply. Specific media and community contacts that reach those groups designated as least likely to apply must be identified (community outreach contacts may include neighborhood, minority, or women's organizations, grass roots faith-based or community-based organizations, labor unions, employers, public and private agencies, disability advocates, or other groups or individuals well known in the community that connect with the identified group(s). *Example 114(2)* ~~*112(2):*~~ An Owner has identified the disabled as least likely to apply and has decided to send letters on a quarterly basis to the Case Manager at a non-profit organization coordinating housing for developmentally disabled adults. Additionally, the Owner will advertise upcoming vacancies in a monthly newsletter circulated by an organization serving the hearing impaired.

(C) How the Owner will assess the success of Affirmative Marketing efforts. Affirmative Marketing Plans should be reviewed on an annual basis to determine if changes should be made and plans must be updated every five years to fully capture demographic changes in the housing's market area.

(D) Records of marketing efforts must be maintained for review by the Department during onsite monitoring visits. *Example 114(3 )* ~~*112(3):*~~ The Owner keeps copies of all quarterly correspondence mailed to the contacts or community groups identified in the Affirmative Marketing Plan. The letters are dated and addressed and show that the Owner is actively marketing vacancies, or a waiting list to the groups identified in the Owner's plan. Failure to maintain a reasonable Affirmative Marketing Plan and documentation of marketing efforts on an annual basis will result in a finding of noncompliance.

(E) If a property does not have any vacant units, Affirmative Marketing is still required and Owners must maintain a waiting list. If a property does not have any vacancies and the waiting list is closed, Affirmative Marketing is not required.

(F) In accordance with 24CFR 92.253(d) of the HOME Final Rule, Owners of HOME developments must maintain a written waiting list and tenant selection criteria. Failure to maintain these documents will result in a finding of noncompliance.

**§60.115. Onsite Monitoring.**
(a) The Department may perform an onsite monitoring review of any low income Development, and review and photocopy all documents and records supporting compliance with Departmental programs through the end of the Compliance Period or the end of the period covered by the LURA, whichever is later. The Development Owner shall permit the Department access to the Development premises and records.
(b) The Department will perform onsite monitoring reviews of each low income Development. The Department will conduct:
(1) the first review of HTC, Exchange and TCAP Developments by the end of the second calendar year following the year the last building in the Development is placed in service.
(2) the first review of all other Developments as leasing commences.
(3) subsequent reviews at least once every three years during the Affordability Period.
(4) a physical inspection of the Development including the exterior of the Development, Development amenities, and an interior inspection of a sample of Units.
(5) limited reviews of physical conditions, including follow-up inspections to verify completion of reported corrective action, may be conducted without prior notice (unless access to tenant units is required, in which case at least forty-eight (48) hours notice will be provided).
(c) The Department will perform onsite file reviews and monitor:
(1) a sampling of the low income resident files in each Development, and review the income certifications,
(2) the documentation the Development Owner has received to support the certifications,
(3) the rent records and any additional information that the Department deems necessary.
(d) At times other than onsite reviews, the Department may request for review, in a format designated by the Department, information on tenant income and rent for each Low Income Unit and may require a Development Owner to submit copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification, and the rent record for any low income tenant.
(e) The Department will select the Low Income Units and tenant records that are to be inspected and reviewed. Original records are required for review. The Department will not give Development Owners advance notice that a particular Unit, tenant record, or a particular year will be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an onsite inspection or a tenant record review will occur so the Development Owner may notify tenants of the inspection or assemble original tenant records for review. If a credible complaint of fraud or other egregious noncompliance is received, the Department reserves the right to conduct unannounced onsite monitoring visits.

**§60.116. Monitoring for Social Services.**
(a) If a Development's LURA requires the provision of social services, the Department will confirm this requirement is being met. Owners are required to maintain sufficient documentation to evidence that services are actually being provided. Documentation will be reviewed during onsite visits and must be submitted to the Department upon request.
*Example 116(1)* ~~114(1):~~ The Owner's LURA requires provision of on-site daycare services. The Owner maintains daily sign in sheets to demonstrate attendance and keeps a roster of the households that are regularly participating in the program. The Owner also keeps copies

of all newsletters and fliers mailed out to the Development tenants that reference daycare services.

(b) Supportive services must be fully implemented prior to the issuance of IRS forms 8609 for the Housing Tax Credit program. ~~provided throughout the entire Affordability Period, and be beginning once the Development completes lease up after final construction or acquisition.~~ If an Owner wishes to change the scope of services provided, prior approval from the Department is necessary. The Department, upon review of the Owner's request and the Development's original application, may also require the Owner to submit a proposed amendment to the LURA. It is not necessary to obtain prior written approval to change the provider of services unless the scope of services is being changed. Failure to comply with the requirements of this section shall result in a finding of noncompliance.

**§60.117. Monitoring for Non-Profit Participation or HUB Participation.**

(a) If a Development's LURA requires the material participation of a non-profit or Historically Underutilized Business (HUB), the Department will confirm this requirement is being met throughout the development phase and ongoing operations of the property. Owners are required to maintain sufficient documentation to evidence that a non-profit or HUB is materially participating. Documentation may be reviewed during onsite visits or must be submitted to the Department upon request.

(b) If an Owner wishes to change the non-profit, or HUB, prior approval from the Department is necessary. The Annual Owner's Compliance Report also requires Owners to certify to compliance with this requirement. Failure to comply with the requirements of this section shall result in a finding of noncompliance. In addition, the Internal Revenue Service will be notified if the non-profit is not materially participating on a Housing Tax Credit property during the Compliance Period.

(c) The Department does not enforce partnership agreements or determine equitable fund distributions of partnerships. These disputes are matters for a court of competent jurisdiction

**§60.118. Property Condition Standards.**

(a) All Developments funded by the Department must be decent, safe, sanitary, in good repair, and suitable for occupancy throughout the Affordability Period. The Department will use HUD's Uniform Physical Condition Standards (UPCS) to determine compliance with property condition standards. In addition, Developments must comply with all local health, safety, and building codes. The Department may contract with a third party to complete UPCS inspections.

(b) Housing Tax Credit Development Owners are required by Treasury Regulation 1.42-5 to report (through the Annual Owner's Compliance Report) any local health, safety, or building code violations. HTC Developments that fail to comply with local codes shall be reported to the IRS.

(c) The Department will evaluate UPCS reports in the following manner:

(1) A finding of Major Violations will be cited if:

(A) Life threatening health, safety, or fire safety hazards are reported on the Notification of Exigent and Fire Safety Hazards Observed form and are not corrected within twenty-four (24) hours of the inspection with notification submitted to the Department within seventy-two (72) hours of the inspection. Failure to notify the Department within seventy-two (72) hours of the correction of any exigent health and safety or fire safety hazards listed on the Notification will result in a finding of Major Violations of the Uniform Physical Condition Standards for the Development; or

(B) An overall UPCS score of less than 70 percent (69 percent or below) is reported.

(2) A finding of Pattern of Minor Violations will be assessed if an overall score between 70 percent and 89 percent is reported; or

(3) Findings of both Major and Minor Violations will be assessed if deficiencies reported meet the criteria for both.

(d) The Department is required to report any HTC Development that fails to comply with any requirements of the UPCS or local codes at any time (including smoke detectors and blocked egresses) to the IRS on Form 8823. Accordingly, the Department will submit Form(s) 8823 for any UPCS violation. However, if the violation(s) does not meet the conditions described in subsection (c)(1) or (2) of this section, the issue will be noted in the Department's compliance status system as Administrative Reporting and no points will be assigned in the Department's compliance status evaluation of the Development. Non-HTC properties that do not meet thresholds for Major and Pattern of Minor Violations as described in subsection (c)(1) or (2) in this section and correct all life threatening health, safety, and fire safety hazards noted at the time of inspection as directed in subsection (c)(1)(A) of this section will not receive findings for UPCS inspections. Items noted that do not exceed thresholds for Major and Pattern of Minor Violations must be corrected by submission of an Owner's Certification of Repair within the ninety (90) day corrective action period.

(e) Acceptable evidence of correction of deficiencies is a certification from an appropriate licensed professional that the item now complies with the inspection standard or other documentation that will allow the Department to reasonably determine when the repair was made and whether the repair sufficiently corrected the violation(s) of UPCS standards (examples of such documentation include work orders, photographs, and/or invoices to third party repair specialists).

(f) The Department will provide a ninety (90) day corrective action period to respond to a notice of noncompliance for violations of the UPCS. The Department will grant up to an additional ninety (90) day extension if there is good cause and the Owner clearly requests an extension during the corrective action period.

(g) 24 CFR §92.251 of the HOME Final Rule requires rental property assisted with HOME funds to be maintained in compliance with all local codes and Housing Quality Standards (HQS) (24 CFR §982.401). To meet this requirement, all HOME rental Development Owners must annually complete an HQS inspection of all HOME assisted Units. The Department will review HQS inspection sheets for all Units for compliance with this requirement during onsite monitoring visits.

(h) Selection of Units for inspection:

(1) Vacant Units will not be inspected (alternate Units will be selected) if a Unit has been vacant for fewer than thirty (30) days.

(2) Units vacant for more than thirty (30) days are assumed to be ready for occupancy and will be inspected. No deficiencies will be cited for inspectable items if utilities are turned off and the inspectable item is present and appears to be in working order.

(i) Property damage that is the direct result of utility damage or malfunction or repair activity relating to such damage that is beyond the property owner's control, including, but not limited to, eruption of gas, sewer or storm sewer mains, water mains, and electrical fires, will not be taken into consideration in determining a compliance score, provided that the property owner did not negligently or intentionally serve as a proximate cause for the damage.

**§60.119. Notice to Owners.**

The Department will provide written notice to the Development Owner if the Department does not receive the Annual Owner Compliance Report (AOCR) or discovers through audit, inspection, review or any other manner that the Development is not in compliance with the provisions of the deed restrictions, conditions imposed by the Department, or program rules and regulations, including §42 of the Code. Owners may request that results of monitoring reviews be emailed if all email addresses in the Contract Monitoring Tracking System are up to date. If Owners request such notices be sent by email, a paper copy will not be mailed by the Department. The notice will specify a correction period of ninety (90) days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing documentation or certifications. The Department may extend the correction period for up to six (6) months from the date of the notice to the Development Owner if there is good cause for granting an extension and the owner requests an extension during the original ninety (90) day corrective action period. If any communication to the Development Owner under this section is returned to the Department as refused, unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner. The Development Owner is responsible for providing the Department with current contact information, including address(es) and phone number(s). The Development Owner must also provide current contact information to the Department as required by §1.22 of this title (relating to Providing Current Contact Information to the Department).

**§60.120. Special Rules Regarding Rents and Rent Limit Violations.**

(a) Rent or Utility Allowance Violations of the maximum allowable limit (HTC). Under the HTC program, the amount of rent paid by the household plus an allowance for utilities, plus any mandatory fees, cannot exceed the maximum applicable limit (as determined by the minimum set-aside elected by the Owner) published by the Department. If it is determined that a HTC Development, during the Compliance Period, collected rent in excess of the rent limit established by the minimum set-aside, the Department will report the violation as corrected on the date that the rent plus the utility allowance, plus fees, is less than the applicable limit. The refunding of overcharged rent does not avoid the disallowance of the credit by the IRS.

(b) Rent or Utility Allowance Violations of additional rent restrictions (HTC). If the Owner agreed to lease Units at rents less than the maximum allowed under the Code (additional occupancy restrictions), the Department will require the Owner to refund to the affected residents the amount of rent that was overcharged. This applies during the entire Affordability Period. The noncompliance event will be considered corrected on the date which is the later of the date the overcharged rent was refunded/credited to the resident or the date that the rent plus the utility allowance is equal to or less than the applicable limit. _Example 120(1)_ ~~118.1:~~ For Code §42 purposes, the maximum allowable limit is 60 percent. However, the Owner agreed to lease some Units to households at the 30 percent income and rent limits. It was discovered that the 30 percent households were overcharged rent. The Owner will be required to reduce the current amount of rent charged and refund the excess rents to the households.

(c) Rent Violations of the maximum allowable limit due to application fees (HTC). Under the HTC program, Owners may not charge tenants any overhead costs as part of the application fee. Owners must only charge the actual cost for application fees as supported by invoices from the screening company the Owner uses. The amount of time Development staff spends on checking an applicant's income, credit history, and landlord references may be included in the Development's application fee. Development Owners may add $5.50 per Unit to their other out of pocket costs for processing an application without providing documentation. Should an Owner desire to include a higher amount to cover staff time, wage information and a time study must be supplied to the Department upon request. Documentation of Development costs for application processing or screening fees must be made available during onsite visits or upon request. The Department will review application fee documentation during onsite monitoring visits. If the Department determines from a review of the documentation that the Owner has overcharged residents an application fee, the noncompliance will be reported to the IRS on Form(s) 8823 under the category Gross rent(s) exceeds tax credit limits. The noncompliance will be corrected on the later of January 1st of the next year or as of the date the application fee is reduced and evidence of a reduced application fee is supplied to the Department. Owners are not required to refund the overcharged fee amount. If the Development refunds the overcharged fee in full or in part, the units will remain out of compliance until January 1st of the next year or until the application fee is reduced.

(d) Rent or Utility Allowance Violations on Non-HTC properties. If it is determined that the property collected rent in excess of the allowable limit, the Department will require the Owner to refund to the affected residents the amount of rent that was overcharged.

(e) Trust Account to be established. If the Owner is required to refund rent under subsection (b) or (d) of this section and cannot locate the resident, the excess rent collected must be deposited into a trust account for the tenant. The account must remain open for the shorter of a four (4) year period, or until all funds are claimed. If funds are not claimed after the four year period, the unclaimed funds must be remitted to the Texas Comptroller of Public Accounts Unclaimed Property Holder Reporting Section to be dispersed as required by Texas unclaimed property statutes.

(f) Rent Adjustments for HOME properties. 24 CFR §92.252 of the HOME Final Rule requires Owners to charge households with an income in excess of 80 percent at recertification, a rent equal to the lesser of 30 percent of the household's adjusted income or the market rent for comparable unassisted Units in the neighborhood. If at recertification the household self-certifies an income in excess of the 80 percent limit, documentation of all income, assets and allowable deductions must be obtained by the owner. The Department will find a HOME property in noncompliance with this section if the Owner fails to determine the over income household's adjusted income and maintain documentation of market rents for comparable unassisted Units in the neighborhood.

(g) Special conditions for NSP and CDBG properties. To determine if a Unit is rent restricted, the amount of rent paid by the household, plus an allowance for utilities, plus any rental assistance payment must be less than the applicable limit.

**§60.121. Notices to the Internal Revenue Service (HTC Properties).**

(a) Even when an event of noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than forty-five (45) days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department) but will not be filed before the end of the correction period. The Department will indicate on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the noncompliance.

(b) The Department will retain records of noncompliance or failure to certify for six (6) years beyond the Department's filing of the respective IRS Form 8823. The Department will retain the AOCRs and records for three years from the end of the calendar year the Department receives the certifications and records.

(c) The Department will send the Owner of record copies of any IRS Form(s) 8823 submitted to the IRS. Copies of Form(s) 8823 will be submitted to the syndicator for Developments awarded tax credits after January 1, 2004. The Development Owner is responsible for providing the name and mailing address of the syndicator in the Annual Owner's Compliance Report.

**§60.122. Monitoring Procedures for Housing Tax Credit Properties After the Compliance Period.**

(a) HTC properties allocated credit in 1990 and after are required under the Code (§42(h)(6)) to record a LURA restricting the property for at least thirty (30) years. Various sections of the Code specify monitoring rules State Housing Finance Agencies must implement during the Compliance Period.

(b) After the Compliance Period, the Department will continue to monitor Housing Tax Credit Developments using the rules detailed in paragraphs (1) - (12) of this subsection.

(1) On site monitoring visits will continue to be conducted approximately every three years, unless the Department determines that a more frequent schedule is necessary.

(2) In general, the Department will review 10 percent of the low income files. No less than five (5) files and no more than twenty (20) files will be reviewed.

(3) The exterior of the property, all building systems and 10 percent of Low Income Units. No less than five (5) but no more than thirty-five (35) of the Development's Low Income Units will be physically inspected to determine compliance with HUD's Uniform Physical Condition Standards.

(4) Each Development shall submit an annual report in the format prescribed by the Department.

(5) Reports to the Department must be submitted electronically as required in §60.105 of this chapter.

(6) Compliance monitoring fees will continue to be submitted to the Department annually in the amount stated in the LURA.

(7) All households must be income qualified upon initial occupancy of any Low Income Unit. Proper verifications of income are required, and the Department's Income Certification form must be completed unless the Development participates in the Rural Rental Housing Program or a project based HUD program.

(8) Rents will remain restricted for all Low Income Units. After the Compliance Period, utilities paid to the owner can be accounted for in the utility allowance. The tenant paid portion of the rent plus the applicable utility allowance must not exceed the applicable limit.

(9) All additional income and rent restrictions defined in the LURA remain in effect.

(10) For Additional Use Restrictions, defined in the LURA (such as supportive services, nonprofit participation, elderly, etc), refer to the property's LURA to determine if compliance is required after the completion of the compliance period. ~~Other requirements defined in the LURA, such as the provision of social services or serving special needs households, will remain in effect.~~

(11) The Owner shall not terminate the lease or evict low income residents for other than good cause.

(12) The total number of required Low Income Units must be maintained Development wide.

(c) After the first fifteen (15) years of the Extended Use Period, certain requirements will not be monitored as detailed in paragraphs (1) - (4) of this subsection.

(1) The student restrictions found in §42(i)(3)(D) of the Code. An income qualified household consisting entirely of full time students may occupy a Low Income Unit.

(2) The building's applicable fraction found in the Development's Cost Certification and/or the LURA. Low income occupancy requirements will be monitored Development wide, not building by building.

(3) Household transfers between buildings restricted by §42(g)(1) of the Code. All households, regardless of HTC income level designation, will be allowed to transfer between buildings with the Development.

(4) The Department will not monitor the Development's application fee after the Compliance Period is over.
<u>(d) Regardless of the requirements stated in a LURA, the Department will monitor in accordance with this section.</u>
<u>(e)</u> ~~(d)~~ Unless specifically noted in this section, all requirements of this chapter, <u>LURA</u> and §42 of the Code remain in effect for the Extended Use Period. These Post-Year fifteen (15) Monitoring Rules apply only to the HTC Developments administered by the Department. Participation in other programs administered by the Department may require additional monitoring to ensure compliance with the requirements of those programs.

**§60.123. Material Noncompliance Methodology.**
(a) The Department maintains a compliance history of each monitored Development in the Department's Compliance Status System. Developments with more than one program administered by the Department are scored by program. The Development will be considered in Material Noncompliance if the score for any single program exceeds the Material Noncompliance threshold for that program.
(b) A Development will not be assigned the scores noted in this section until after the Owner has been provided a written notice of the noncompliance and provided a corrective action deadline to show that either the Development was never in noncompliance or that the noncompliance event has been corrected.
(c) This section identifies all possible noncompliance events for all programs monitored by the Physical Inspection and Compliance Monitoring Sections of the CAO Division. However, not all issues listed in this section pertain to all Developments. In addition, only certain noncompliance events are reportable on Form 8823. Those events that are reportable under the HTC program on Form 8823 are so indicated in subsections (k) and (j) of this section.
(d) For HTC Developments, all Forms 8823 issued by the Department will be entered into the Department's Compliance Status System. However, Forms 8823 issued prior to January 1, 1998 will not be considered in determining Material Noncompliance.
(e) For all programs, a Development will be in Material Noncompliance if the noncompliance event is stated in this section to be Material Noncompliance. The Department may take into consideration the representations of the Owner regarding monitoring notices and Owner responses; however, unless an Owner can prove otherwise, the compliance records of the Department shall be presumed to be correct.
(f) All Developments, regardless of status, that are or have been administered, funded, or monitored by the Department, are scored even if the Development no longer actively participates in the program, with the exception of properties in the Federal Deposit Insurance Corporation's (FDIC) Affordable Housing Disposition Program.
(g) A Development's score will be reduced by the number of points needed to be one point under the Material Noncompliance threshold provided that:
(1) The Development has no previously reported noncompliance events that are uncorrected;
(2) All newly identified noncompliance events are corrected during the corrective action period;
(3) All corrective action documentation for the newly identified noncompliance is provided to the Department during the corrective action period; and
(4) The Development was not already in Material Noncompliance at the time of its most recent monitoring review.
(h) If an owner is unable to correct all issues during the corrective action period, the owner may supply a corrective action plan for review by the Department that establishes dates that

each uncorrected issue will be corrected and evidence of correction will be supplied. Provided that the Department approves the plan and the owner follows the plan, upon correction of all issues, a Development's score will be reduced by the number of points needed to be one point under the Material Noncompliance threshold provided that:

(1) The Development has no previously reported noncompliance events that are uncorrected; and

(2) The Development was not already in Material Noncompliance at the time of its most recent review.

(i) Noncompliance events are categorized as either "Development events" or "Unit/building events". Development events of noncompliance affect some or all the buildings in the Development; however, the Development will receive only one score for the noncompliance event rather than a score for each Unit or building. Other noncompliance events are identified individually by Unit and will receive the appropriate score for each Unit cited with an event. The Unit scores and the Development scores accumulate towards the total score of the Development. Violations under the HTC program are identified by Unit; however, the building is scored rather than the Unit and the building will receive the noncompliance score if one or more of the Units in that building are in noncompliance.

(j) Uncorrected noncompliance events, if applicable to the Development, will carry the maximum number of points until the noncompliance event has been reported corrected by the Department. Once reported corrected by the Department, the score will be reduced to the "corrected value". Corrected noncompliance will no longer be included in the Development score one year after the date the noncompliance was reported corrected by the Department.

(k) Each noncompliance event is assigned a point value. The possible events of noncompliance and associated "corrected" and "uncorrected" points are listed in subsection (l) of this section.

(l) Figure: 10 TAC §60.123(l) ~~§60.121(l)~~ lists events of noncompliance that affect the entire Development rather than an individual Unit. The first column of the chart identifies the noncompliance event. The second column identifies the number of points assigned this event while the issue is uncorrected. The Material Noncompliance threshold for a HTC and Exchange Developments is thirty (30) points. The Material Noncompliance threshold for a non-HTC property with one (1) to fifty (50) Low Income Units is thirty (30) points. The Material Noncompliance threshold for a non-HTC property with Fifty-one (51) to two hundred (200) Low Income Units is fifty ~~fifteen~~ (50) points. The Material Noncompliance threshold for non-HTC properties with two hundred and one (201) or more Low Income Units is eighty (80) points. The third column lists the number of points assigned to the event from the date the issue is corrected until one (1) year after correction. The fourth column indicates what programs the noncompliance event applies to. The last column indicates if the issue is reportable on Form 8823 for HTC Developments.

Figure: 10 TAC §60.123(l) (doc)

(m) Figure: 10 TAC §60.123(m) ~~§60.121(m)~~ lists ten (10) events of noncompliance associated with individual Units. The first column of the chart identifies the noncompliance event. The second column identifies the number of points assigned this event while the issue is uncorrected. The Material Noncompliance threshold for a HTC or Exchange property is thirty (30) points. The Material Noncompliance threshold for a non-HTC property with one (1) to fifty (50) Low Income Units is thirty (30) points. The Material Noncompliance threshold for a non-HTC property with fifty-one (51) to two hundred (200) Low Income Units is fifty (50) points. The Material Noncompliance threshold for non-HTC properties with two hundred one

(201) or more Low Income Units is eighty (80) points. The third column lists the number of points assigned to the event from the date the issue is corrected until one year after the event is corrected. The fourth column indicates what programs the noncompliance event applies to. The last column indicates if the issue is reportable on Form 8823 for HTC Developments.

Figure: 10 TAC §60.123(m).(doc)

**§60.124. Previous Participation Reviews.**

(a) Prior to providing any Department assistance, executing a Carryover Allocation Agreement, or processing a request for a Qualified Contract, the CAO Division will conduct a previous participation review to determine if the requesting entity controls a Development that is in Material Noncompliance, owes the Department any fees, is sixty (60) days delinquent on a loan payment, has a past due single audit or single audit certification form, or has any unresolved audit or monitoring findings identified by the Contract Monitoring Section of the CAO Division. Previous participation reviews will also be conducted if more than one hundred twenty (120) days elapse between Board approval of an Application and a financing. Assistance includes but is not limited to allocating any Department funds or tax credits, with the exception of CSBG ~~CDBG~~ funds, engaging in loan or contract modifications that result in increased funding, approving a modification to a LURA (other than a technical error) and providing incentive awards.

(b) HTC Developments with any uncorrected issues of noncompliance or with pending notices of noncompliance, will not be issued Form 8609s, Low Income Housing Credit Allocation Certifications, until all events of noncompliance are corrected.

(c) If during the previous participation review an uncorrected issue of noncompliance required by the HOME Final Rule is identified on a HOME Development monitored by the Department, the entity requesting assistance will be notified of the issue and provided five (5) business days to submit all necessary corrective action to cure the violation(s). The notification will be in writing and may be delivered by email. If the requesting entity does not cure the violation(s), the request for assistance will be terminated. If the request for assistance is terminated, the Board has the ability to reinstate the request for assistance for consideration as provided in §60.128(a) ~~§60.126(a)~~ of this chapter.

(d) If during the previous participation review, the Department determines that the requesting entity owes the Department any fees, is sixty (60) days delinquent on a loan payment, has a past due single audit or single audit certification form, has unresolved audit or monitoring findings identified by the Contract Monitoring section of the CAO Division, or has control of an existing Development monitored by the Department that is in Material Noncompliance, the entity requesting assistance will be notified of the issue and provided five (5) business days to submit all necessary corrective action, pay the fees, bring the loan current, or otherwise cure the violation(s). If the requesting entity does not cure the issue(s), the request for assistance will be terminated. If the request for assistance is terminated due to Material Noncompliance, the Board has the ability to reinstate the request for assistance for consideration as provided in §60.128(b) ~~§60.126(b)~~ of this chapter.

(e) If during the previous participation review, the Department determines that the requesting entity or any person controlling the requesting entity is on the Department's or the Department of Housing Urban Development's debarred list, the request for assistance will be terminated. A request for assistance properly terminated for this reason cannot be reinstated for consideration. The request for assistance can be re-submitted, however, if the person or entity that is on the debarred list is no longer part of the requesting entity.

(f) For the purposes of previous participation reviews:

(1) The Department will not take into consideration the score of a Development that the requesting entity has not controlled for at least three (3) years;
(2) The Department will not take into consideration the score of a Development for which the Affordability Period ended over three (3) years ago;
(3) The Department will not take into consideration the score attributed to a Development for noncompliance with FDIC's Affordable Housing Disposition Program;
(4) If a requesting entity no longer controls a Development but has controlled the Development at any time in the last three (3) years, the Department will determine the score for the noncompliance events with a date of noncompliance identified during the time the requesting entity controlled the Development. If the points associated with the noncompliance events identified during the requesting entity's control of the Development exceed the threshold for Material Noncompliance, the request for assistance will be terminated but may be subject to reinstatement by the Board as provided in §60.128 ~~§60.126~~ of this chapter.
(g) Date for determining Material Noncompliance. Previous participation reviews will be conducted prior to the Board meeting when funds will be awarded, or if the request is not subject to Board action, prior to the Department providing the requested assistance. The score in effect at the completion of the previous participation review process (which includes the five (5) business day cure period referenced in subparagraphs (c) and (d) of this section) will be used to determine if the request for assistance will be terminated. Previous participation reviews are not required to be performed if less than one hundred-twenty (120) days have elapsed since the last review, provided there is no change in the organizational structure.
(h) Treatment of units of government during a previous participation review. If a city, county or local government applies for assistance from the Department, a previous participation review will be conducted. If the city, county or unit of government controls a development that is in Material Noncompliance, owes the Department any fees, is sixty (60) days delinquent on a loan payment, has a past due single audit or single audit certification form or has unresolved audit or monitoring findings identified by the Contract Monitoring Section of the CAO Division, the process described in subsection (d) of this section will be followed. However, the previous participation of individual elected officials will not be considered provided that they are not the contract executor for the requesting entity.
(i) Treatment of nonprofits during a previous participation review. If a nonprofit applies, or is associated with, an application for assistance from the Department, a previous participation review will be conducted. If the nonprofit controls a Development that is in Material Noncompliance, owes the Department any fees, is sixty (60) days delinquent on a loan payment, has a past due single audit or single audit certification form or has unresolved audit or monitoring findings identified by the Contract Monitoring Section of the CAO Division, the process described in subsection (d) of this section will be followed. If it is determined that the Executive Director, Chair of the Audit Committee, Board Chair or any member of the Executive Committee of the nonprofit controls a Development that is in Material Noncompliance, owes the Department any fees, is sixty (60) days delinquent on a loan payment, has a past due single audit or single audit certification form or has unresolved audit or monitoring findings identified by the Contract Monitoring Section of the CAO Division, the process described in subsection (d) of this section will be followed. If within the five (5) business day period, the party with noncompliance resigns from the applicable position of the nonprofit organization requesting assistance, the noncompliance will not be taken into consideration. If it is determined that any member of the Board of the Nonprofit is on the Department's or the Department of Housing Urban Development's debarred list, the request for assistance will be terminated. A request for assistance properly terminated for this reason

cannot be reinstated for consideration. The request for assistance can be re-submitted, however, if the person on the debarred list resigns from the applicable nonprofit organization requesting assistance.
(j) Previous participation review for ownership transfers. Consistent with this section, the Department will perform a previous participation review prior to approving any transfer of ownership of a Development or any change in the Owner of a Development. The previous participation review shall be conducted with respect to the Developments controlled by the person coming into ownership, not with respect to the Development or Owner being transferred.

**§60.125. Alternative Dispute Resolution (ADR).**
(a) It is the Department's policy to encourage the use of appropriate Alternative Dispute Resolution (ADR) procedures to assist in resolving disputes under the Department's jurisdiction. If at any time an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title.
(b) In all phases of monitoring, (construction and throughout the entire Affordability Period) if a potential issue of noncompliance has been identified, Owners will be provided a written notice of noncompliance. In general, the Department will provide up to a ninety (90) day corrective action period which can and will be extended for an additional ninety (90) days if there is good cause and the Owner requests an extension during the corrective action period.
(c) Owners must respond to the Department's notice of noncompliance. If an Owner does not respond, this ADR process which is explained in this section cannot be initiated.
(d) If an Owner does not agree with the Department's assessment of compliance, they should clearly explain their position and provide as much supporting documentation as possible. If the position is reasonable and well supported, the issue of noncompliance will be cleared with no further action taken, i.e. for HTC properties, Form(s) 8823 will not be filed with the IRS and the issue will not be scored in the Department's compliance status system.
(e) If an Owner's response indicates disagreement with the Department's assessment of noncompliance, but does not appear to be a valid concern to the Department, staff will notify the Owner in writing of their right to engage in ADR. The Owner must respond in five (5) days and request ADR. In addition, the owner must request an extension of the corrective action deadline, if one is still available. If the owner does not respond to the staff's invitation to engage in ADR, the Department's assessment of the violation is final.
(f) The Department must meet the Treasury Regulation requirement found in §1.42-5 and file Form 8823 within forty-five (45) days after the end of the corrective action period. Therefore, it is possible that the Owner and Department may still be engaged in ADR. In this circumstance, the Form 8823 will be filed. However, it will be sent to the IRS with an explanation that the owner disagrees with the Department's assessment and is pursuing ADR. All Owner supplied documentation supporting their position will be supplied to the IRS. Although the violation will be reported to the IRS within the required timeframes, it will not be scored in the Department's compliance status system pending outcome of ADR.
(g) ADR is not an appropriate format for matters regarding interpretations of laws, regulations and rules. ADR can only be used when parties could reach consensus.

**§60.126. Liability.**
Compliance with the program requirements, including compliance with §42 of the IRC, is the sole responsibility of the Development Owner. By monitoring for compliance, the Department

in no way assumes any liability whatsoever for any action or failure to act by the Development Owner, including the Development Owner's noncompliance with §42 of the IRC, the Fair Housing Act, §504 of the Rehabilitation Act of 1973, HOME program regulations, BOND program requirements, and all other programs monitored by the Department.

**§60.127. Applicability.**
Unless otherwise noted, these provisions apply to all Developments administered by the Department.

**§60.128. Temporary Suspension of Previous Participation Reviews.**
(a) An entity whose request for assistance is terminated under §60.124 ~~§60.122~~ of this chapter may request reinstatement of the Application for consideration for approval. The request must be in writing and must be submitted to the Department within five (5) business days of the date of the Department's letter notifying the requesting entity of the termination/denial. A timely filed request for reinstatement shall be placed on the agenda for the next Board meeting for which it can be properly posted.
(b) If an Application for assistance was terminated under §60.124 ~~§60.122~~ of this chapter, the Board may consider reinstatement of the application only in the event that it determines, after consideration of the relevant, material facts and circumstances that:
(1) it is in the best interests of the Department and the State to proceed with the award;
(2) the award will not present undue increased program or financial risk to the Department or State;
(3) the applicant is not acting in bad faith; and
(4) the applicant has taken reasonable measures within its power to remedy the cause for the termination.
(c) Reinstatement of a terminated Application merely makes the Application eligible to be considered and does not, in and of itself, constitute approval.

**§60.129.Temporary Suspension of other Sections of this Subchapter.**
(a) Temporary suspensions of other sections of this subchapter may be granted if the Board finds one or more of the following factors applicable to a Development:
(1) A natural disaster or other act of God has made the application of this subchapter to a Development infeasible for a period of time and the Governor of Texas or President of the United States has previously made a disaster declaration for the area including the Development during the relevant time period;
(2) Due to documented shortages in items necessary to complete the requirements of the subchapter, the Owner was unable to meet the subchapter requirements, this would include but not be limited to a shortage of labor, building materials, or public utilities available;
(3) A federal rule has changed that significantly changed the ability of the Owner to deliver the services required at the time the Development was placed in service or began operation provided, however, that the Board cannot waive the rule itself and the Owner must comply, but the Board may suspend the compliance score related to the violation in this situation; and/or
(4) A Development has been subjected in part to a governmental action such as partial condemnation through no fault of the Owner, eminent domain, or zoning changes that do not allow corrections of compliance issues required by the Department.
(b) Under no circumstances can the Board suspend for any period of time compliance with the HOME Final Rule or regulations issued by HUD when required by federal law.

(c) Under no circumstances can the Board suspend for any period of time Treasury Regulations, IRS publications controlling the submission of Form 8823, or any sections of 26 U.S.C. §42.
(d) Examples of items the Board could temporarily suspend include: the requirement to report online, requirement to use Department approved forms, sampling size requirements for agency calculated utility allowance, or the requirement to repay overcharged rent on a HTF property.

# Figure: 10 TAC §60.123(l)

| Noncompliance Event | Uncorrected Points | Corrected Points | Programs | If HTC, on Form 8823? |
|---|---|---|---|---|
| Major property condition violations | Material Noncompliance | 10 | All programs | Yes |
| Pattern of minor property condition violations | 10 | 5 | All programs | Yes |
| Administrative reporting of property condition violations | 0 | 0 | HTC | Yes |
| Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder | Material Noncompliance | 10 | See §60.112 | Yes |
| Owner failed to approve and distribute an Affirmative Marketing Plan as required under §60.114 ~~§60.112~~ of this chapter | 10 | 3 | See §60.112 | No |
| Development failed to comply with requirements limiting minimum income standards for Section 8 residents. | 10 | 3 | See §60.112 | No |
| Development is not available to general public | 10 | 0 | HTC | Yes |
| HUD or DOJ notification of possible Fair Housing Act violation | 0 | 0 | HTC | Yes |
| Determination of a violation under the Fair Housing Act | Material Noncompliance | 10 | All programs | Yes |
| Development is out of compliance and never expected to comply/ Foreclosure | Material Noncompliance | NA/No correction possible | All programs | Yes |
| Owner did not allow on-site monitoring review | Material Noncompliance | 5 | All programs | Yes |
| LURA not in effect | Material Noncompliance | 5 | All programs | Yes |
| Development failed to meet minimum set aside | 20 | 10 | HTC Bonds | Yes |
| No evidence of, or failure to certify to, material participation of a non-profit or HUB, if required by the Land Use Restriction Agreement | 10 | 3 | HTC | Yes |

| Noncompliance Event | Uncorrected Points | Corrected Points | Programs | If HTC, on Form 8823? |
|---|---|---|---|---|
| Development failed to meet additional State required rent and occupancy restrictions | 10 | 3 | All programs | No |
| The Development failed to provide required supportive services as promised at Application | 10 | 3 | HTC Bonds | No |
| The Development failed to provide housing to the elderly as promised at Application | 10 | 3 | All programs | No |
| Failure to provide special needs housing | 10 | 3 | All programs | No |
| Changes in Eligible Basis or Applicable Percentage | 3 | NA, No correction possible | HTC | Yes |
| Failure to submit part or all of the AOCR or failure to submit any other annual, monthly, or quarterly report required by the Department | 10 | 3 | All programs | Yes |
| Utility Allowance not calculated properly | 20 | 10 | All programs | Yes |
| Owner failed to execute required lease provisions, including language required by §60.110 or exclude prohibited lease language | 10 | 3 | HTC HOME | No |
| Failure to provide annual Housing Quality Standards inspection | 10 | 3 | HOME | NA |
| Development has failed to establish and maintain a reserve account in accordance with §1.37 of this title | Material Noncompliance | 10 | All programs | No |
| Development substantially changed the scope of services as presented at initial Application without prior Department approval | 10 | 3 | HTC | No |
| Change in Ownership or General Partner without proper notification to and approval of Department | 10 | 3 | All programs | No |

| Noncompliance Event | Uncorrected Points | Corrected Points | Programs | If HTC, on Form 8823? |
|---|---|---|---|---|
| Failure to provide a notary public as promised at Application | 10 | 3 | HTC | No |
| Violations of the Unit Vacancy Rule | 3 | 1 | HTC | Yes |
| Casualty loss | 0 | 0 | All programs | Yes |
| Failure to provide pre-onsite documentation as required. | 10 | 3 | All programs | No |

# Figure: 10 TAC §60.123(m)

| Noncompliance Event | Uncorrected Points | Corrected Points | Programs | If HTC, on Form 8823? |
|---|---|---|---|---|
| Unit not leased to Low Income Household | 5 | 1 | All programs | Yes |
| Low Income Units occupied by nonqualified full-time students | 3 | 1 | HTC during the compliance period and Bond | Yes |
| Low Income Units used on transient basis | 3 | 1 | HTC Bond | Yes |
| Household income increased above the re-certification limit and an available Unit was rented to a market tenant | 3 | 1 | HTC During the compliance period Bonds HOME HTF | Yes |
| Gross rent exceeds the highest rent allowed under the LURA or other deed restriction | 5 | 1 | All programs | Yes |
| Failure to maintain or provide tenant income certification and documentation | 3 | 1 | All programs | Yes |
| Unit not available for rent | 3 | 1 | All programs | Yes |
| Failure to maintain or provide Annual Eligibility Certification | 3 | 1 | All programs | No |
| Development evicted or terminated the tenancy of a low income tenant for other than good cause | 10 | 3 | HTC HOME | Yes |
| Household income increased above 80% at recertification and Owner failed to properly determine rent | 3 | 1 | HOME | NA |

**MULTIFAMILY FINANCE DIVISION**
**BOARD ACTION REQUEST**
**NOVEMBER 10, 2010**

Presentation, Discussion and Possible Action for publication in the *Texas Register* of a final order adopting the new 10 TAC Chapter 1 §1.1 concerning Definitions for Housing Program Activities.

## RECOMMENDED ACTION

**RESOLVED**, that the final order adopting the new rule for the Definitions for Housing Program Activities, 10 TAC, Chapter 1 §1.1, together with the preamble presented to this meeting, is hereby ordered and approved for publication in the *Texas Register*.

**FURTHER RESOLVED,** that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the draft Definitions for Housing Program Activities together with the preamble in the form presented to this meeting, to be published in the *Texas Register* and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## BACKGROUND

The Board approved the Draft Definitions for Housing Program Activities at the September meeting to be published in order to receive public comment. In keeping with the requirements of the Administrative Procedures Act, staff has reviewed all comments received and provided a reasoned response to each comment received.

**Attachment A: Preamble, Reasoned Response, and New Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts new 10 TAC, Chapter 1, Subchapter A, §1.1 concerning the Definitions for Housing Program Activities. Section 1.1 is adopted with changes to text as published in the *Texas Register* on September 24, 2010 (35 TexReg 8560).

The Texas Department of Housing and Community Affairs (the "Department") accepted comments to the proposed rule in writing and by email. This document provides the Department's response to all comments received. Comments and responses are presented in the order they appear in the rules. After each comment title, numbers are shown in parentheses. These numbers refer to the person or entity that made the comment. If comment resulted in recommended language changes to the Draft Definitions for Housing Program Activities as presented to the Board in September, such changes are indicated. Copies of the comment letters submitted are provided behind the QAP presentation.

Public comments were accepted through October 23, 2010 with comments received from (6) Debra Guerrero, NRP Group, (7) Diana McIver, TAAHP, (9) Barry Kahn, (10) Bill Fisher, Odyssey Residential, (21) Bobby Bowling IV, Tropicana Building Corporation (24) Marilyn Harman, National Alliance on Mental Illness Austin (NAMI), (25) Belinda Carlton, Texas Council for Developmental Disabilities, and (28) Cynthia Bast, Locke Lord Bissell & Liddell.

REASONED RESPONSE TO PUBLIC COMMENT ON THE PROPOSED ADOPTION OF 10 TAC CHAPTER 1, SUBCHAPTER A, DEFINITIONS FOR HOUSING PROGRAM ACTIVITIES.

**1. §1.1 – Definitions – Adaptive Reuse (28)**
**Comment Summary:**
Commenter (28) suggests including "hotels" in parenthetical citing hotels are prime candidates for adaptive reuse and often require confirmation whether hotels are considered non-residential.

**Staff Response:** The inclusion of this additional potential non-residential building type in the example parenthetical does not change in any way the meaning of the definition and therefore staff recommends making the following change for clarifying purposes:

> **(1) Adaptive Reuse--**The change-in-use of an existing non-residential building (e.g., school, warehouse, office, hospital, hotels, etc.), into a residential building. Adaptive reuse does not include the demolition of the external walls of the existing building. All units must be contained within the original exterior walls of the existing building. Porches and patios may protrude beyond the exterior walls. Ancillary non-residential buildings, such as a clubhouse, leasing office and/or amenity center may be newly constructed outside the walls of the existing building or as detached buildings on the Development Site.

**2. §1.1 – Definitions – Appropriate Local Official (7), (9)**
**Comment Summary:**
Commenter (7) suggests clarification to this definition so that if a development is located within an ETJ but does not have Council Representation, then the appropriate local official would be the County official. Additionally, commenter (9) suggests the references to ETJ within the definition be removed so that the city controls developments within the city limits and the county controls developments that are in the county.

**Staff Response:**
The Appropriate Local Official depends upon the location of the site with regards to the ETJ and depends upon the notice or specific requirement in the QAP for which the Appropriate Local Official is identified. In some cases, the municipal control over the ETJ is relevant to the QAP requirement, and in other cases the municipal control over the ETJ is less relevant and the county jurisdiction may be more relevant. This definition should provide the flexibility to assume the municipal authority over the ETJ except where specifically designated otherwise in the QAP. Staff recommends making the following change for clarifying purposes:

> **(6) Appropriate Local Official--**With respect to a municipality or area within an extraterritorial jurisdiction (ETJ), where applicable, means either the mayor, the city manager, or another official of the body operating under valid, written confirmation of authority signed by the mayor or city manager. With respect to an area not within the municipality or its ETJ, Appropriate Local Official means a county commissioner or another official authorized by the county commissioner to act.

**3. §1.1 Definitions – Control (28)**
**Comment Summary:**
Commenter suggests the definition of Control should be consistent with the definition of Principal to avoid confusion as they are applied. The definition of Control indicates that Controlling entities are general partners but not investor limited partners. Special limited partners are not referenced in this definition at all; however, they are referenced in the definition of Principal.

**Staff Response:**
Staff agrees that including special limited partners as a controlling entity may clarify this definition as special limited partners generally have the ability under certain circumstances to control a development. However, special limited partners might not be in a direct control position at all phases of the development. They are considered Principals because of their ability to control the development under certain circumstances. Staff recommends the following change for clarifying purposes:

> **(11) Control (including the terms "Controlling," "Controlled by," and/or "under common Control with")**—the power or authority to manage, direct, superintend, restrict, regulate, govern, administer, or oversee. Controlling entities of a partnership include the general partners, special limited partners when applicable, but not investor limited partners. Controlling entities of a limited liability company include the managing members, and any members with 10% or more ownership of the limited liability company, and any members with authority similar to that of a general partner in a limited partnership. Multiple Persons may be deemed to simultaneously have control.

**4. §1.1 – Definitions – Development Owner (28)**
**Comment Summary:**
Commenter (28) suggests removing the reference to a "General Partner" because that concept is already incorporated in the word "Affiliate."

**Staff Response:**
Staff believes that the General Partner role is such a critical one that it is worthy of specifically calling out in the definition of Development Owner. Additionally, the reference to "General Partner" was removed from the definition of Affiliate in the initial draft.

*Staff recommends no change based on this comment.*

**5. §1.1 – Definitions – Efficiency Unit (21)**
**Comment Summary:**
Commenter suggests the definition be more detailed and indicate that Efficiency Units include usable kitchen features.

**Staff Response:**
The proposed definition for Efficiency Unit states that it is "a Unit without a separately enclosed bedroom." The definition uses the term "Unit" which is defined in §2306.6702 and states that it "contains complete physical facilities for living, sleeping, eating, cooking and sanitation." Therefore, an Efficiency Unit would include usable kitchen features.

*Staff recommends no change based on this comment.*

**6. §1.1 – Definitions – Governmental Entity (28)**
**Comment Summary:**
Commenter suggests the following change to the definition:

> "Includes federal, ~~or~~ state or local agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts, tribal governments and other similar entities."

**Staff Response:**
Staff agrees with the proposed clarification.

**7. §1.1 – Definitions – Unit of General Local Government (7), (21)**
**Comment Summary:**
Commenter (7) suggests this definition needs to be clarified to include language that a Unit of General Local Government may act through a Government Instrumentality.

Commenter (21) requests clarification regarding the Department's intent behind proposing to change the definition from Local Political Subdivision to Unit of General Local Government. Commenter (21) states that if the Department wishes to include or exclude different entities from the old Local Political Subdivision term then the commenter asks that the definition directly reflect these changes in the language. If the intent is to interpret the same entities as being eligible under this new definition and does not intend to make any substantive changes, then the commenter questions the need to change the definition at all and requests the old term, Local Political Subdivision, be reinstated.

**Staff Response:**
Staff believes that a Unit of General Local Government is entitled by law to act through an instrumentality it creates. Including such a reference in the definition confuses the definition, in that the instrumentality could be confused for the Unit of General Local Government itself.

Staff believes that the term Local Political Subdivision could more broadly be confused to include any taxing district whose Governing Board is elected. Staff has historically found that the Local Political Subdivision reference has been limited to municipalities and counties and not, for example, school districts. The term Unit of General Local Government more accurately describes the intent and practical use of this term.

*Staff recommends no change based on these comments.*

**8. §1.1 – Definitions – Governmental Instrumentality (7), (21)**
**Comment Summary:**
Commenter (7) suggested the following change to this definition:

> "A legal entity such as a housing authority of a city or county, a housing finance corporation, or a municipal utility, or a tribal designated housing entity which is created by a Unit of General Local Government under statutory authority and which instrumentality is authorized to transact business for the Unit of General Local Government."

Commenter (21) suggests this definition requires clarification on whether or not a Governmental Instrumentality can be authorized to transact business for *"any"* Unit of General Local Government or only for *"the"* Unit of General Local Government that created the Government Instrumentality.

**Staff Response:**
Staff believes there are important distinctions that need to be made with regards to this definition. In stating that the legal entity is created by *"a"* Unit of General Local Government implies that the Government Instrumentality is a free-roaming instrumentality that received authority from any Unit of General Local Government and not necessarily the Unit of Local General Local Government that has authority over the site regarding a specific application. The Department's intent behind the definition is that City (X) in which the Development is located would approve and authorize the use of funds by the Government Instrumentality. This does not preclude City (Y) from providing funds for the Development in City (X); however, they must have clear authorization from City (X) as evidenced through, for example, an Interlocal Agreement.

*Staff recommends no change based on this comment.*

**9. §1.1 – Definitions – Persons with Disabilities (9), (24), (25)**
**Comment Summary:**
Commenter (9) suggests this definition has been narrowed quite a bit and that there seems to be some ambiguity and some difficulty with those who are managing properties being able to determine whether somebody fits the much narrower definition. Commenter (9) suggests the definition revert to the 2010 QAP language.

Commenter (25) suggests removing Part C under the proposed definition which states "to include persons with severe mental illness and persons with substance abuse disorders" citing that in doing so the definition of disability would then be consistent with federal and state law.

Commenter (24) applauds this definition to include persons with severe mental illness and persons with substance abuse disorders; however, suggests the Department define what "major life activities" include.

**Staff Response:**
This definition was adopted by the Housing and Health Services Coordination Council and published in their 2010-2011 Biennial Plan, submitted to the Governor and the Legislative Budget Board on September 1, 2010. This definition was adopted by the Council who represent a broad spectrum of state agencies that work with persons with disabilities and advocates for persons with disabilities. The plan was released for public comment and did not receive any comments on this definition.

*Staff recommends no changes based on these comments.*

**10. §1.1 – Definitions – Principal (28)**
**Comment Summary:**
Commenter suggests that the Department's intent behind the definition is to capture someone who has control over an enterprise and that the definition, as drafted, goes beyond that concept. Commenter suggests the following change to the definition:

> "The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners and Special Limited Partners (other than Special Limited Partners created by a partner providing tax credit syndication equity) and individuals Controlling such General Partners and Special Limited Partners;

(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, each stock holder having a 10% or more interest in the corporation, and any individual Controlling such stock holder; and

(C) Limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company, any individual Controlling such members, or any officer authorized to act on behalf of the limited liability company.

Commenter explains that in paragraph (A) above it's important to distinguish between the two types of special limited partner – an affiliate of the developer or guarantor who takes an ownership position in the partnership versus the special limited partner created by the tax credit syndicator. Since tax credit syndicators are excluded for purposes of the credit cap, then the commenter suggests the Department intends to exclude them from the definition of Principal as well. Additionally, with regards to paragraph (A), commenter suggests not using the defined term as part of the definition itself and that given what the commenter believes the Department is trying to capture it would be more appropriate to refer to "individuals controlling the entity." Commenter suggests such change would need to be made in paragraphs (B) and (C) as well.

**Staff Response:**
Staff appreciates this comment and refers to the response on the definition of Control to explain the situation with special limited partners. Staff believes that no change to this part of the definition is warranted.

Staff agrees with the clarification adding "and any individual Controlling such stock holder…" or "…such members" respectively. Therefore, staff recommends the following change:

**(40) Principal--**The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:
(A) Partnerships, Principals include all General Partners, Special Limited Partners and Principals with ownership interest;
(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a 10% or more interest in the corporation and any individual Controlling such stock holder; and
(C) Limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company, any individual Controlling such members, or any officer authorized to act on behalf of the limited liability company.

**11. §1.1 – Definitions – Reconstruction (6), (10), (28)**
**Comment Summary:**
Commenter (10) suggests revising the definition as proposed in the draft so that constructing additional units than what originally existed should not be precluded stating that in certain regions of the state new units are necessary.

Commenter (6), (28) asks for clarification on whether it is the Department's intent to require the exact same number of units that are being demolished be reconstructed and commenter (28) states there could be numerous situations where this would be infeasible. Commenter (6) suggests that in many instances neighborhoods and cities would prefer reducing the density of an existing development and proposes the following change:

> "Includes the demolition of one or more residential buildings in an Existing Residential Development and the Reconstruction of an equal number or less of Units on the Development Site."

**Staff Response:**
Staff believes that the increase in the number of units on an existing site is currently allowed as New Construction but would not be Reconstruction because the additional units are not being reconstructed but rather constructed for the first time. Staff concurs that the construction of any number of units up to the original number of units would be reconstruction and recommends the change for clarification.

**12. §1.1 – Definitions – Third Party (28)**
**Comment Summary:**
Commenter suggests the following change to exclude service providers such as accountants or lawyers who receive fees from the Development as part of their services.

> "A Third Party is a Person who is not:
> (A) An Applicant, General Partner, Developer, Consultant or General Contractor; or
> (B) An Affiliate or a Related Party to the Applicant, General Partner, Developer, Consultant or General Contractor; ~~or~~ and
> ~~(C)~~ Who is not receiving any portion of the fees from the Development.

**Staff Response:**
Staff believes that a Consultant could be a third party where they are not an Affiliate and not receiving a portion of the development fee. For example an architect, attorney, accountant or appraiser with no control over the applicant and where they have a professional obligation via a license or registration to abide by a code of ethics would be considered a Third Party. Broadening this definition to include any Consultant would confuse the issue since the definition of Consultant includes any person with or without ownership interest in the development. However, staff recommends the definition be changed to clarify that a third party would also not be anyone receiving any portion of the Developer fees from the Department.

> "Third Party--A Third Party is a Person who is not:
>
> (A) an Applicant, General Partner, Developer, or General Contractor; or
> (B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor; or
> (C) anyone receiving any portion of the Developer fees from the Development."

**13. §1.1 – Definitions – Total Housing Development Cost (7), (9)**
**Comment Summary:**
Commenter (7) suggests this definition be clarified to ensure that lease-up costs until “breakeven” and required operating reserves are included as part of the Total Housing Development Cost. Additionally, commenter (9) suggested adding “achieving breakeven and meeting all financing requirements.”

**Staff Response:**
Staff suggests the following change for clarification:

> “The sum total of the Acquisition Cost, Hard Costs, Soft Costs, Developer Fee and Contractor Fee incurred or to be incurred through lease-up by the Development Owner in the acquisition, construction, rehabilitation and financing of the Development.”

The Board approved the final order adopting the new sections on November 10, 2010.

The new sections are adopted pursuant to the authority Chapter 2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

| Comment # | Commenter |
| --- | --- |
| 6 | Debra Guerrero, NRP Group |
| 7 | Diana McIver, TAAHP |
| 9 | Barry Kahn |
| 10 | Bill Fisher, Odyssey Residential |
| 21 | Bobby Bowling IV, Tropicana Building Corporation |
| 24 | Marilyn Hartman, National Alliance on Mental Illness Austin (NAMI) |
| 25 | Belinda Carlton, Texas Council for Developmental Disabilities |
| 28 | Cynthia Bast, Locke Lord Bissell & Liddell |

*§1.1.Definitions for Housing Program Activities.*

The following definitions apply to the Housing Tax Credit Program, Multifamily Housing Revenue Bond Program, and other Department programs as defined in their Rules. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Texas Government Code, Chapter 2306, §42 of the Internal Revenue Code, this section, and repeated in the Tax Credit (Procedures) Manual.

(1) Adaptive Reuse--The change-in-use of an existing non-residential building (e.g., school, warehouse, office, hospital, hotel, etc.), into a residential building. Adaptive reuse does not include the demolition of the external walls of the existing building. All units must be contained within the original exterior walls of the existing building. Porches and patios may protrude beyond the exterior walls. Ancillary non-residential buildings, such as a clubhouse, leasing office and/or amenity center may be newly constructed outside the walls of the existing building or as detached buildings on the Development Site.

(2) Administrative Deficiencies--Information requested by the Department that is required to clarify or correct inconsistencies in an Application that in the Department's reasonable judgment, may be cured by supplemental information or explanation which will not necessitate a substantial reassessment or re-evaluation of the Application.

(3) Affiliate--An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other Person or Principal. All entities that share a Principal are Affiliates.

(4) Applicant--Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation. (§2306.6702)

(5) Application--A request for funds, housing tax credits or other financial assistance submitted to the Department in a form prescribed by the Department, including any exhibits or other supporting material. (§2306.6702)

(6) Appropriate Local Official--With respect to a municipality or area within an extraterritorial jurisdiction (ETJ), where applicable, means either the mayor, the city manager, or another official of the body operating under valid, written confirmation of authority signed by the mayor or city manager. With respect to an area not within the municipality or its ETJ, Appropriate Local Official means a county commissioner or another official authorized by the county commissioner to act.

(7) Bedroom--A portion of a Unit which is no less than 100 square feet; has no width or length less than 8 feet; is self contained with a door (or the Unit contains a second level sleeping area of 100 square feet or more); has at least one window that provides exterior access; and has at least one closet that is not less than 2 feet deep and 3 feet wide and high enough to accommodate 5

feet of hanging space. A den, study or other similar space that could reasonably function as a bedroom and meets this definition is considered a bedroom.

(8) Board--The Governing Board of the Department.

(9) Colonia--A geographic ~~A~~area that is located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

(A) has a majority population composed of individuals and families of low-income and very low-income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed Area under §17.921, Texas Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Department.

(10) Commitment--A legally binding written contract, setting forth the terms and conditions under which housing tax credits, loans, grants or other sources of funds or financial assistance will be made available.

(11) Control (including the terms "Controlling," "Controlled by," and/or "under common Control with")--The power or authority to manage, direct, superintend, restrict, regulate, govern, administer, or oversee. Controlling entities of a partnership include the general partners, special limited partners when applicable, but not investor limited partners. Controlling entities of a limited liability company include the managing members, and any members with 10% or more ownership of the limited liability company, and any members with authority similar to that of a general partner in a limited partnership. Multiple Persons may be deemed to simultaneously have control.

(12) Department--The Texas Department of Housing and Community Affairs or any successor agency.

(13) Developer--Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such services and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(14) Development Consultant or Consultant--Any Person (with or without ownership interest in the Development) who provides professional services relating to the filing of an Application, Carryover Allocation Document, and/or cost certification documents.

(15) Development Owner--Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract or ground lease approved by the Department. (§2306.6702)

(16) Development Team--All Persons or Affiliates thereof that play a role in the Development, construction, Rehabilitation, management and/or continuing operation of the subject Property, which will include any Development Consultant and Guarantor.

(17) Efficiency Unit--A Unit without a separately enclosed bedroom.

(18) Executive Award and Review Advisory Committee ("The Committee")--The Department committee created under Texas Government Code, §2306.112.

(19) General Contractor--One who contracts for the construction or Rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors. This party may also be referred to as the "contractor."

(20) General Partner--That partner, or collective of partners, identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(21) Governing Body--The elected or appointed body of public or tribal officials, responsible for the enactment, implementation and enforcement of local rules and the implementation and enforcement of applicable laws for its respective jurisdiction.

(22) Governmental Entity--Includes federal, ~~or~~ state or local agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts, tribal governments and other similar entities.

(23) Governmental Instrumentality--A legal entity which is created by a Unit of General Local Government under statutory authority and which instrumentality is authorized to transact business for the Unit of General Local Government.

(24) Grant--Financial assistance that is awarded in the form of money to a housing sponsor for a specific purpose and that is not required to be repaid. A Grant includes a forgivable loan.

(25) Guarantor--Any Person that provides, or is anticipated to provide, a guaranty for all or a portion of the equity or debt financing for the Development.

(26) Historically Underutilized Businesses (HUB)--A business that is a Corporation, Sole Proprietorship, Partnership, or Joint Venture in which at least 51% of the business is owned, operated, and actively controlled and managed by a minority or woman in which the owner(s):

(A) have a proportionate interest and demonstrate active participation in the control, operation, and management of the entities' affairs; and

(B) are economically disadvantaged because of their identification as members of the following groups:

(i) Black Americans--Includes persons having origins in any of the Black racial groups of Africa;

(ii) Hispanic Americans--Includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;

(iii) American Women--Includes all women of any ethnicity except those specified in clauses (i), (ii), (iv), and (v) of this subparagraph;

(iv) Asian Pacific Americans--Includes persons whose origins are from Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U.S. Trust Territories of the Pacific, the Northern Marianas, and Subcontinent Asian Americans which includes persons whose origins are from India, Pakistan, Bangladesh, Sri Lanka, Bhutan or Nepal; and

(v) Native Americans--Includes persons who are American Indians, Eskimos, Aleuts, or Native Hawaiians; and

(C) a corporation formed for the purpose of making a profit in which at least 51% of all classes of the shares of stock or other equitable securities are owned by one or more persons described by subparagraphs (A) and (B) of this paragraph; or

(D) a sole proprietorship created for the purpose of making a profit that is 100% owned, operated, and controlled by a person described by subparagraphs (A) and (B) of this paragraph; or

(E) a partnership formed for the purpose of making a profit in which 51% of the assets and interest in the partnership is owned by one or more persons who are described by subparagraphs (A) and (B) of this paragraph; or

(F) a joint venture in which each entity in the joint venture is a HUB under this subdivision; or

(G) a supplier contract between a HUB under this subdivision and a prime contractor/vendor under which the HUB is directly involved in the manufacture or distribution of the supplies or materials or otherwise warehouses and ships the supplies;

(H) a business other than described in subparagraphs (D), (F), and (G) of this paragraph, which is formed for the purpose of making a profit and is otherwise a legally recognized business organization under the laws of the State of Texas, provided that at least 51% of the assets and 51% of any classes of stock and equitable securities are owned by one or more persons described by subparagraphs (A) and (B) of this paragraph.

(27) HUD--The United States Department of Housing and Urban Development, or its successor.

(28) IRS--The Internal Revenue Service, or its successor.

(29) Land Use Restriction Agreement or LURA--An agreement between the Department and the Development Owner which is a binding covenant upon the Development Owner's successors in interest, that, when recorded, encumbers the Development with respect to the requirements of the programs for which it receives funds.

(30) Low Income Unit--A Unit that is intended to be restricted for occupancy by an income eligible household, as defined by the Department.

(31) Managing General Partner--A general partner of a partnership that is vested with the authority to take actions that are binding on behalf of the partnership and the other partners. The term Managing General Partner can also be used for a Managing Member of a limited liability company where so designated to bind the limited liability company and its members under its Agreement or any other person that has such powers in fact, regardless of their organizational title.

(32) Material Deficiency--Any individual Application deficiency or group of Administrative Deficiencies which, if addressed, would require, in the Department's reasonable judgment, a substantial reassessment or re-evaluation of the Application or which, are so numerous and pervasive that they indicate a failure by the Applicant to submit a substantively complete and accurate Application.

(33) Material Noncompliance--Defined as:

(A) a Housing Tax Credit (HTC) Development located within the state of Texas will be classified by the Department as being in Material Noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the Material Noncompliance provisions, methodology, and point system in §60.121 of this title;

(B) non-HTC Developments monitored by the Department with 1 - 50 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non-HTC Developments monitored by the Department with 51 - 200 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 50 points. Non-HTC Developments monitored by the Department with 201 or more Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 80 points;

(C) for all programs, a Development will be in Material Noncompliance if the noncompliance is stated in §60.121 of this title, to be Material Noncompliance.

(34) Minority Owned Business--A business entity at least 51% of which is owned by members of a minority group or, in the case of a corporation, at least 51% of the shares of which are owned by members of a minority group, and that is managed and Controlled by members of a minority group in its daily operations. Minority group includes women, African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin. (§2306.6734)

(35) Net Rentable Area (NRA)--The unit space that is available exclusively to the tenant and is typically heated and cooled by a mechanical HVAC system. NRA is measured to the outside of the studs of a unit or to the middle of walls in common with other units. NRA does not include common hallways, stairwells, elevator shafts, janitor closets, electrical closets, balconies, porches, patios, or other areas not actually available to the tenants for their furnishings, nor does NRA include the enclosing walls of such areas.

(36) New Construction--Any construction of a Development or a portion of a Development that does not meet the definition of Rehabilitation.

(37) Person--Without limitation, any natural person, corporation, partnership, limited partnership, joint venture, limited liability company, trust, estate, association, cooperative, government, political subdivision, agency or instrumentality or other organization or entity of any nature whatsoever and shall include any group of Persons acting in concert toward a common goal, including the individual members of the group.

(38) Persons with Disabilities--With respect to an individual:

(A) a physical or mental impairment that substantially limits one or more major life activities of such individual;

(B) a record of such an impairment; or

(C) being regarded as having such an impairment, to include persons with severe mental illness and persons with substance abuse disorders.

(39) Principal--The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) partnerships, Principals include all General Partners, special limited partners, and Principals with ownership interest;

(B) corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a 10% or more interest in the corporation~~;~~ and any individual Controlling such stock holder; and

(C) limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company, any individual Controlling such members, or any officer authorized to act on behalf of the limited liability company.

(40) Property--The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

(41) Qualified Allocation Plan--A plan adopted by the ~~b~~Board under this subchapter that:

(A) provides the threshold, scoring, and underwriting criteria based on housing priorities of the department that are appropriate to local conditions;

(B) consistent with §2306.6710(e) of the Texas Government Code, gives preference in housing tax credit allocations to developments that, as compared to the other developments:

(i) when practicable and feasible based on documented, committed, and available ~~t~~Third ~~p~~Party funding sources, serve the lowest income tenants per housing tax credit; and

(ii) produce for the longest economically feasible period the greatest number of high quality units committed to remaining affordable to any tenants who are income-eligible under the low income housing tax credit program; and

(C) provides a procedure for the Department, the Department's agent, or another private contractor of the Department to use in monitoring compliance with the Qualified Allocation Plan and this subchapter.

(42) Qualified Elderly Development--A Development which meets the requirements of the federal Fair Housing Act, and

(A) provided under any state or federal program that the HUD Secretary determines is specifically designed and operated to assist elderly persons (as defined in the state or federal program); or

(B) is intended for, and solely occupied by, individuals sixty-two (62) years of age or older; or

(C) is intended and operated for occupancy by at least one individual fifty-five (55) years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is fifty-five (55) years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals fifty-five (55) years of age or older. (42 U.S.C. §3607(b))

(43) Reconstruction--~~Includes t~~The demolition of one or more residential buildings in an Existing Residential Development and the re-construction of an equal number or less of Units on the Development Site.

(44) Rehabilitation--The improvement or modification of an Existing Residential Development through alteration, incidental addition or enhancement. The term includes the demolition of an Existing Residential Development and the ~~r~~Reconstruction of a Development on the Development Site, but does not include Adaptive Reuse (§2306.004(26-a)). More specifically, Rehabilitation is the repair, refurbishment and/or replacement of existing mechanical and structural components, fixtures and finishes. Rehabilitation will correct deferred maintenance, reduce functional obsolescence to the extent possible and may include the addition of: energy

efficient components and appliances, life and safety systems; site and resident amenities; and other quality of life improvements typical of new residential developments.

(45) Related Party--As defined, (§2306.6702)

(A) the following individuals or entities:

(i) the brothers, sisters, spouse, ancestors, and descendants of a person within the third degree of consanguinity, as determined by Chapter 573 of the Texas Government Code;

(ii) a person and a corporation, if the person owns more than 50% of the outstanding stock of the corporation;

(iii) two or more corporations that are connected through stock ownership with a common parent possessing more than 50% of:

(I) the total combined voting power of all classes of stock of each of the corporations that can vote;

(II) the total value of shares of all classes of stock of each of the corporations; or

(III) the total value of shares of all classes of stock of at least one of the corporations, excluding, in computing that voting power or value, stock owned directly by the other corporation;

(iv) a grantor and fiduciary of any trust;

(v) a fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;

(vi) a fiduciary of a trust and a beneficiary of the trust;

(vii) a fiduciary of a trust and a corporation if more than 50% of the outstanding stock of the corporation is owned by or for:

(I) the trust; or

(II) a person who is a grantor of the trust;

(viii) a person or organization and an organization that is tax-exempt under §501(a) of the Code, and that is controlled by that person or the person's family members or by that organization;

(ix) a corporation and a partnership or joint venture if the same persons own more than:

(I) fifty percent of the outstanding stock of the corporation; and

(II) fifty percent of the capital interest or the profits' interest in the partnership or joint venture;

(x) an S corporation and another S corporation if the same persons own more than 50% of the outstanding stock of each corporation;

(xi) an S corporation and a C corporation if the same persons own more than 50% of the outstanding stock of each corporation;

(xii) a partnership and a person or organization owning more than 50% of the capital interest or the profits' interest in that partnership; or

(xiii) two partnerships, if the same person or organization owns more than 50% of the capital interests or profits' interests.

(B) Nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

(46) Rural Area--An area that is located:

(A) outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an Urban Area; or

(C) in an area that is eligible for funding by Texas Rural Development Office of the United States Department of Agriculture (TRDO-USDA), other than an area that is located in a municipality with a population of more than 50,000. (§2306.004)

(47) Selection Criteria--Criteria used to determine funding priorities of the State under the specific housing program as defined in the rules or funding notices of that program.

(48) Single Room Occupancy (SRO)--An Efficiency Unit that meets all the requirements of a Unit except that it may be rented on a month-to-month basis.

(40) Site Control--Ownership or a current contract that is legally enforceable giving the Applicant the ability, not subject to any legal defense by the owner, to require conveyance to the Applicant.

(50) Texas Department of Rural Affairs (TDRA)--As established by Chapter 487 of the Texas Government Code.

(51) Third Party--A Third Party is a Person who is not:

(A) an Applicant, General Partner, Developer, or General Contractor; or

(B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor; or

(C) anyone receiving any portion of the Developer fees from the Development.

(52) Total Housing Development Cost--The sum total of the Acquisition Cost, Hard Costs, Soft Costs, Developer Fee and Contractor Fee incurred or to be incurred through lease-up by the Development Owner in the acquisition, construction, rehabilitation and financing of the Development.

(53) TRDO-USDA--Texas Rural Development Office (TRDO) of the U.S. Department of Agriculture (USDA) serving the State of Texas.

(54) Unit of General Local Government--A city, town, county, village, tribal reservation or other general purpose political subdivision of the State.

**COMMUNITY AFFAIRS DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Be it resolved that the Department will publish in the *Texas Register* a notice proposing amendments to the 10 TAC, Chapter 5 related to Community Affairs Programs as follows:

- Title 10. Part 1. Chapter 5. Subchapter A. General Provisions amending §5.3 (b)(32)(A) - (F); §5.20 (a) and (b).
- Title 10, Part 1, Chapter 5, Subchapter B. Community Services Block Grant amending §5.203 (a); §5.207 (b); §5.210 (c) - (f); §5.210 (f)(3); §5.210 (g); §5.210 (h)(1) - (11); §5.216 (b)(5) - (7)(A )- (F).
- Title 10, Part 1, Chapter 5, Subchapter C. Emergency Shelter Grants Program amending §5.303 (i)(1) - (4); §5.304(a), §5.304(a)(1)(B)(i) - (v); §5.304(a)(1)(C)(i) - (xi); §5.304(c)(1); §5.304(c)(1) (A) - (F); §5.304(d)(2); §5.304(e)(3); §5.304(g); §5.310(d).

**RESOLVED,** that the Executive Director and his designees and each of them be and they hereby are authorized, empowered, and directed to cause to be published in the *Texas Register* for public comment the proposed revisions and additions to 10 TAC Chapter 5, Subchapters A, B, and C in the form presented to this meeting, together with such grammatical and non-substantive technical corrections as they may deem necessary or advisable.

## Background

Staff is recommending through these draft proposed rules that specified Community Affairs program rules be revised. The draft proposed rules incorporate program changes, preexisting guidance and state and federal statutory requirements related to the Community Services programs.

Subchapter A
In this subchapter the rule is revised to reflect income eligibility standards by program.

Subchapter B
For the Community Services Block Grant Program, changes include:

- Removing the actual formula for allocation of funds from the rule and instead requiring that a formula be established and approved by the Board;
- establishing a requirement that subrecipients submit the CSBG Performance Statement with the CAP plan, including submitting a board certification form that certifies a public hearing was held to solicit public comment on the proposed performance statement and budget;
- addressing the requirement to inform custodial parents of the services available to collect child support payments. Inclusion in the rule will finally close out an outstanding audit issue;

- adding a new section that informs Subrecipients of the required steps for a CSBG grievance procedure for addressing written complaints from applicants/clients. This section is mirrored from the current process used for another program (CEAP), that many of the subrecipients administer; and
- adding under “Board Responsibility”, additional reports that board members are expected to be provided by their management and to review.

Subchapter C
For the Emergency Shelter Grants Program, changes include:

- adding a new section that addresses the redistribution and/or reallocation of unexpended funds;
- adding under “Use of Funds” a new section to require Subrecipients to establish procedures and processes to ensure ESGP funds are only expended for eligible clients;
- clarifying guidance on Essential Services; and
- adding a new section to highlight the main elements of a required grievance process.

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS.
SUBCHAPTER A. GENERAL PROVISIONS.

**§5.1. Purpose and Goals.**
(a) The rules established herein for Chapter 5 "Community Affairs Programs" Subchapter A "General Provisions" applies to all Community Affairs Division programs with the exception of the Section 8 Housing Choice Voucher Program. Refer to Subchapter F of this chapter for the rules governing the Section 8 Housing Choice Voucher Program. Additional program specific requirements are contained within each program subchapter.

(b) The programs administered by the Community Affairs (CA) Division of the Texas Department of Housing and Community Affairs (the Department) support the Department's mission to help Texans achieve an improved quality of life through the development of better communities.

(c) The Department accomplishes this mission by acting as a conduit for federal grant funds for housing and community affairs programs. Ensuring program compliance with the state and federal laws that govern the CA programs is another important part of the Department's mission. Oversight and program mandates ensure state and federal resources are expended in an efficient and effective manner.

**§5.2. Cost Principles and Administrative Requirements.**
Except as expressly modified by law or the terms of the contracts, subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant and Contract Management Standards, 1 TAC §§5.141, et seq. (the "Uniform Grant Management Standards") provided, however, that all references therein to "local government" shall be construed to mean subrecipient. Uniform cost principles for local governments are set forth in Office of Management and Budget (OMB) Circular A-87, and for non-profit organizations in OMB Circular A-122. Uniform administrative requirements for local governments are set forth in OMB Circular A-102, and for non-profits in OMB Circular A-110. OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," provides audit standards for governmental organizations and other organizations expending federal funds. The expenditure threshold requiring an audit under OMB Circular A-133 is $500,000.

**§5.3. Definitions.**
(a) To ensure a clear understanding of the terminology used in the context of the Community Affairs Programs, a list of terms and definitions has been compiled as a reference.

(b) The following words and terms in this chapter shall have the following meaning unless the context clearly indicates otherwise.

(1) CAA--Community Action Agency.

(2) CFR--Code of Federal Regulations.

(3) Children--Household dependents not exceeding eighteen (18) years of age.

(4) Collaborative Application--An application from two or more organizations which will use Emergency Shelter Grants Program (ESGP) funds to provide services to the target population as part of a local continuum of care. If a unit of general local government applies for only one organization, this will not be considered a collaborative application. Partners in the collaborative application must coordinate services and prevent duplication of services.

(5) Community Action Plan--A plan required by the Community Services Block Grant (CSBG) Act which describes the local (subrecipient) service delivery system, how coordination will be developed to fill identified gaps in services, how funds will be coordinated with other public and private resources and how the local entity will use the funds to support innovative community and neighborhood based initiatives related to the grant.

(6) Cooling--Modifications including, but not limited to, the repair or replacement of air conditioning units, evaporative coolers, and refrigerators.

(7) Community Action Agencies (CAAs)--Local private and public non-profit organizations that carry out the Community Action Program (CAP), which was founded by the 1964 Economic Opportunity Act to fight poverty by empowering the poor in the United States. Each CAA must have a board consisting of at least one-third elected public officials, not fewer than one-third representatives of low-income individuals and families, chosen in accordance with democratic selection procedures, and the remainder are members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community.

(8) Community Affairs Division (CAD)--The Division at the Texas Department of Housing and Community Affairs which administers the CSBG, ESGP, Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP), and Section 8 Housing Choice Voucher Programs.

(9) The Community Services Block Grant (CSBG)--A grant which provides U.S. federal funding for Community Action Agencies (CAAs) and other eligible entities that seek to address poverty at the community level. Like other block grants, CSBG funds are allocated to the states and other jurisdictions through a formula.

(10) Community Services Block Grant (CSBG) Act--The CSBG Act is a law passed by Congress authorizing the Community Services Block Grant. The CSBG Act was amended by the Community Services Block Grant Amendments of 1994 and the Coats Human Services Reauthorization Act of 1998 under 42 U.S.C. §§9901, et seq. The act authorized establishing a community services block grant program to make grants available through the program to states to ameliorate the causes of poverty in communities within the states.

(11) CSBG Subrecipient--Includes CSBG eligible entities and other organizations that are awarded CSBG funds.

(12) Department--The Texas Department of Housing and Community Affairs.

(13) Discretionary Funds--Those CSBG funds maintained in reserve by a State, at its discretion, for CSBG allowable uses as authorized by §675C of the CSBG Act, and not designated for distribution on a statewide basis to CSBG eligible entities and not held in reserve for state administrative purposes.

(14) DOE--The United States Department of Energy.

(15) DOE WAP Rules--10 CFR Part 440 of the Code of Federal Regulations describing the Weatherization Assistance for Low Income Persons as administered through the Department of Energy.

(16) Dwelling Unit--A house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters.

(17) Equipment--A tangible non-expendable personal property including exempt property, charged directly to the award, having a useful life of more than one year, and an acquisition cost of $5,000 or more per unit. For CSBG, CEAP, and WAP, if the unit acquisition cost exceeds $5,000, approval from the TDHCA Community Affairs Division must be obtained before the purchase takes place. For ESGP, if the unit acquisition cost exceeds $500, approval from TDHCA Community Affairs Division must be obtained before the purchase is made.

(18) Elderly Person--A person who is sixty (60) years of age or older.

(19) Electric Base-Load Measure--Weatherization measures which address the energy efficiency and energy usage of lighting and appliances.

(20) Eligible Entity--Those local organizations in existence and designated by the federal government to administer programs created under the federal Economic Opportunity Act of 1964. This includes community action agencies, limited-purpose agencies, and units of local government. The CSBG Act defines an eligible entity as an organization that was an eligible entity on the day before the enactment of the Coats Human Services Reauthorization Act of 1998, (October 27, 1998), or is designated by the Governor to serve a given area of the State and that has a tripartite board or other mechanism for local governance.

(21) Emergency--Defined by the LIHEAP Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, 42 U.S.C. §8622):

(A) natural disaster;

(B) a significant home energy supply shortage or disruption;

(C) significant increase in the cost of home energy, as determined by the Secretary;

(D) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data;

(E) a significant increase in participation in a public benefit program such as the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. §§2011, et seq.), the national program to provide supplemental security income carried out under title XVI of the Social Security Act (42 U.S.C. §§1381, et seq.) or the State temporary assistance for needy families program carried out under Part A of Title IV of the Social Security Act (42 U.S.C. §§601, et seq.), as determined by the head of the appropriate federal agency;

(F) a significant increase in unemployment, layoffs, or the number of households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or

(G) an event meeting such criteria as the Secretary, at the discretion of the Secretary, may determine to be appropriate.

(22) Energy Repairs--Weatherization related repairs necessary to protect or complete regular weatherization energy efficiency measures.

(23) Energy Audit--The energy audit software and procedures used to determine the cost effectiveness of weatherization measures to be installed in a dwelling unit.

(24) Families with Young Children--A family that includes a child age five (5) or younger.

(25) USDHHS--U.S. Department of Health and Human Services.

(26) High Energy Burden--Determined by dividing a household's annual home energy costs by the household's annual gross income. The percentage at which energy burden is considered high is defined by data gathered from the State Data Center.

(27) High Energy Consumption--Household energy expenditures exceeding the median of low-income home energy expenditures expressed in the data collected from the State Data Center.

(28) Homeless or homeless individual--An individual who:

(A) lacks a fixed, regular, and adequate nighttime residence; or

(B) has a primary nighttime residence that is:

(i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);

(ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or

(iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. (Exclusion: The term "homeless" or "homeless individual" does not include any individual imprisoned or otherwise detained pursuant to an Act of Congress or a State law.)

(29) Household--Any individual or group of individuals who are living together in a dwelling unit as one economic unit. For energy programs, these persons customarily purchase residential energy in common or make undesignated payments for energy.

(30) Inverse Ratio of Population Density Factor--The number of square miles of a county divided by the number of poverty households of that county.

(31) Local Units of Government--City, county, or council of governments.

(32) Low Income--Income in relation to family size ~~which~~:

(A) For CEAP and WAP, ~~and CSBG is~~ at or below 200% of the Federal Income guidelines;

(B) For CSBG, at or below 125% of the Federal Income guidelines;

(C) For ESGP, at of below 100% of the poverty level, determined in accordance with criteria established by the Director of the Office of Management and Budget;

(D) For HPRP, 50% of the Area Median Income (AMI) as defined by HUD;

~~(B) For ESGP is at or below 100% of the poverty level, determined in accordance with criteria established by the Director of the Office of Management and Budget;~~

~~(C)~~ (E) Is the basis on which cash assistance payments have been paid during the preceding twelve (12) month-period under titles IV and XVI of the Social Security Act or applicable state or local law; or

~~(D)~~ (F) If a State elects, is the basis for eligibility for assistance under the Low Income Home Energy Assistance Act of 1981, provided that such basis is at least 125% of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget.

(33) Low Income Home Energy Assistance Program (LIHEAP)--A federally funded block grant program that is implemented to serve low income households who seek assistance for their home energy bills and/or weatherization services.

(34) Migrant Farm worker--An individual or family that is employed in agricultural labor or related industry and is required to be absent overnight from their permanent place of residence.

(35) Multifamily Dwelling Unit--A structure containing more than one dwelling unit.

(36) National Performance Indicator--An individual measure of performance within the Department's reporting system for measuring performance and results of subrecipients of funds. There are currently twelve indicators of performance which measure self-sufficiency, family stability, and community revitalization.

(37) Needs Assessment--An assessment of community needs in the areas to be served with CSBG funds. The assessment is a required part of the Community Action Plan per Assurance 11 of the CSBG Act.

(38) OMB--Office of Management and Budget, a federal agency.

(39) Outreach--The method that attempts to identify clients who are in need of services, alerts these clients to service provisions and benefits, and helps them use the services that are available. Outreach is utilized to locate, contact and engage potential clients.

(40) Performance Statement--A document which identifies the services to be provided by a CSBG subrecipient. The document is an attachment to the CSBG contract entered into by the Department and the CSBG subrecipient.

(41) Persons with Disabilities--Any individual who is:

(A) a handicapped individual as defined in §7(9) of the Rehabilitation Act of 1973;

(B) under a disability as defined in §1614(a)(3)(A) or §223(d)(1) of the Social Security Act or in §102(7) of the Developmental Disabilities Services and Facilities Construction Act; or

(C) receiving benefits under 38 U.S.C., Chapter 11 or 15.

(42) Population Density--The number of persons residing within a given geographic area of the state.

(43) Poverty Income Guidelines--The official poverty income guidelines as issued by the U.S. Department of Health and Human Services annually.

(44) Private Nonprofit Organization--An organization which has status as a §501(c)(3) tax-exempt entity. Private nonprofit organizations applying for ESGP funds must be established for charitable purposes and have activities that include, but are not limited to, the promotion of social welfare and the prevention or elimination of homelessness. The entity's net earnings may not inure to the benefit of any individual(s).

(45) Public Organization--A unit of local government, as established by the Legislature of the State of Texas. Includes, but may not be limited to, cities, counties, and councils of governments.

(46) Referral--The process of providing information to a client household about an agency, program, or professional person that can provide the service(s) needed by the client.

(47) Rental Unit--A dwelling unit occupied by a person who pays rent for the use of the dwelling unit.

(48) Renter--A person who pays rent for the use of the dwelling unit.

(49) Seasonal Farm Worker--An individual or family that is employed in seasonal or temporary agricultural labor or related industry and is not required to be absent overnight from their permanent place of residence. In addition, at least 20% of the household annualized income must be derived from the agricultural labor or related industry.

(50) Secretary--Chief Executive of the U.S. Department of Health and Human Services.

(51) Service--The provision of work or labor that does not produce a tangible commodity.

(52) Shelter--Defined by the Department as a dwelling unit or units whose principal purpose is to house on a temporary basis individuals who may or may not be related to one another and who are not living in nursing homes, prisons, or similar institutional care facilities.

(53) Single Family Dwelling Unit--A structure containing no more than one dwelling unit.

(54) Social Security Act--42 U.S.C. §§601, et seq., CSBG works with activities carried out under Title IV Part A to assist families to transition off of state programs.

(55) State--The State of Texas or the Texas Department of Housing and Community Affairs.

(56) Subcontractor--An organization with whom the subrecipient contracts with to administer programs.

(57) Subrecipient--According to each program subchapter, subrecipient may be defined as organizations with whom the Department contracts with and provides CSBG funds; ESGP funds; DOE funds or, LIHEAP funds.

(58) Supplies--All personal property excluding equipment, intangible property, and debt instruments, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement ("subject inventions"), as defined in 37 CFR Part 401, "Rights to Inventions Made by Non-profit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements."

(59) TAC--Texas Administrative Code.

(60) Targeting--Focusing assistance to households with the highest program applicable needs.

(61) Terms and Conditions--Binding provisions provided by a funding organization to grantees accepting a grant award for a specified amount of time.

(62) Treatment as a State or Local Agency--For purposes of 5 U.S.C. Chapter 15 any entity that assumes responsibility for planning, developing, and coordinating activities under the CSBG Act and receives assistance under CSBG Act shall be deemed to be a State or local agency.

(63) Units of General Local Government--A unit of local government which has, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.

(64) U.S.C.--United States Code.

(65) Vendor Agreement--An agreement between the subrecipient and energy vendors that contains assurance as to fair billing practices, delivery procedures, and pricing for business transactions involving LIHEAP beneficiaries.

(66) WAP--Weatherization Assistance Program.

(67) WAP PAC--Weatherization Assistance Program Policy Advisory Council. The WAP PAC was established by the Department in accordance with 10 CFR §440.17 to provide advisory services in regards to the WAP program.

(68) Weatherization Material--The material listed in Appendix A of 10 CFR Part 440.

(69) Weatherization Project--A project conducted in a single geographical area which undertakes to reduce heating and cooling demand of dwelling units that are energy inefficient.

**§5.4. Prohibitions.**

(a) Pursuant to the Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations," specifically §25 titled "Lobbying," costs associated with lobbying are unallowable.

(b) Section 678(F)(b)(2) of the CSBG Act prohibits the use of program funds for political activity, voter registration activity or voter registration. The Hatch Act, 5 U.S.C., Chapter 15 and the amendments to the Hatch Act and the repeal of §675(e) and §675(C)(6) of the Community Services Block Grant (CSBG) Act do not affect the prohibition of §678(F)(b)(2).

(c) Knowingly hiring an undocumented worker is prohibited, 8 U.S.C. §1324a.

(d) Discrimination is prohibited.

(1) Civil Rights Act of 1964, (42 U.S.C. §§2000, et seq.) Age Discrimination Act of 1975 (42 U.S.C. §§6101, et seq.). Rehabilitation Act of 1973 (29 U.S.C. §794), and Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. §§12131, et seq.) shall apply to all programs or activities administered by subrecipients including the nondiscrimination provisions of the CSBG (42 U.S.C. §§9901, et seq.).

(2) All subrecipients receiving federal funds must be equal opportunity employers and render services without regard to race, color, religion, sex, national origin, age, handicap, political affiliation or belief. Information on equal opportunity and nondiscrimination shall be made available to participants, employees, subcontractors, and interested parties.

**§5.5. Certificate and Disclosure Regarding Lobbying Activities.**

(a) Subrecipients of federal funding, including those who receive federal funds through the Department, are subject to the anti-lobbying provisions commonly referred to as "the

Byrd Amendments" (31 U.S.C. §1352). The legislation imposes certain requirements for disclosure and certification on recipients of federal contracts, grants, cooperative agreements, and loans, including the requirement that each recipient of a federal contract in excess of $100,000 must complete the Standard Form-LLL "Disclosure of Lobbying Activities" form.

(b) A §501(c)(3) nonprofit organization which pays any person funds from any source (even non-federal funds) to lobby Congress or which pays an employee of any federal agency in connection with this grant, must complete the "Disclosure of Lobbying Activities" form available on the U.S. Department of Health and Human Services (USDHHS) website. A completed form must be submitted to the Department prior to engaging in lobbying activities. The subrecipient must also file quarterly updates about its employment of lobbyists if material changes occur in the organization's use of lobbyists.

(c) For each contract, grant, cooperative agreement, or loan in excess of $100,000, the subrecipient must complete the "Certification Regarding Lobbying" form and return it to the Department. This form is located on the USDHHS website. By completing the certification, the subrecipient verifies that no federally appropriated funds have been used to lobby the United States Congress in connection with the awarding or modifying of a federal contract, loan, cooperative agreement or grant.

(d) Pursuant to the 1996 Simpson-Craig Amendment to the Lobbying Disclosure Act, 2 U.S.C. §1611, §501(c)(4) non-profit organizations, typically civic leagues or employee associations, may not receive any federal funding if such organizations engage in lobbying. The law establishes civil penalties for noncompliance, with possible penalties ranging from $10,000 to $100,000.

### §5.6. Texas Public Information Act.

The Texas Public Information Act (TPIA), Texas Government Code, Chapter 552, formerly the Texas Open Records Act, applies to recipients of public funds such as programs administered by the Department. It is the policy of the state that each person is entitled at all times to complete information about the affairs of government and the official acts of public officials and employees unless otherwise expressly provided by law.

### §5.7. Fidelity Bond Requirements.

(a) The Department is required to assure that fiscal control and accounting procedures for federally funded entities will be established to assure the proper disbursal and accounting for the federal funds paid to the state (A-110 "Administrative Requirements for Grants to Non-Profits"). In compliance with that assurance the Department requires program subrecipients to maintain adequate fidelity bond coverage. A fidelity bond is a bond indemnifying the subrecipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more of its employees, officers, or other persons holding a position of trust.

(1) In administering program contracts, subrecipients shall observe their regular requirements and practices with respect to bonding and insurance. In addition, the Department may impose bonding and insurance requirements by contract.

(2) If a subrecipient is a non-governmental organization, the Department requires an adequate fidelity bond. If the amount of the fidelity bond is not prescribed in the contract, the fidelity bond must be for a minimum of $10,000 or an amount equal to the contract if less than $10,000. The bond must be obtained from a company holding a certificate of authority to issue such bonds in the State of Texas.

(3) The fidelity bond coverage must include all persons authorized to sign or counter-sign checks or to disburse sizable amounts of cash. Persons who handle only petty cash (amounts of less than $250) need not be bonded, nor is it necessary to bond officials who are authorized to sign payment vouchers, but are not authorized to sign or counter-sign checks or to disburse cash.

(4) The Department must receive written assurance from the subrecipient that the required fidelity bond has been established. The assurance letter must be received from the bonding company or agency stating the type of bond, the amount and period of coverage, the positions covered, and the annual cost of the bond. Compliance must be continuously maintained thereafter. A copy of the actual policy shall remain on file with the subrecipient and shall be subject to monitoring by the Department.

(5) Subrecipients are responsible for filing claims against the fidelity bond when a covered loss is discovered. The Department may take any one or more of the following actions for noncompliance.

(A) Deny subrecipient's requests for advances and place the subrecipient on a cost reimbursement plan until written assurance of compliance is received by the Department.

(B) Withhold subrecipient payments (either reimbursement or advance) until written assurance of compliance is received by the Department.

(C) Suspend performance of the contract until written assurance of compliance is received by the Department.

(D) Contract termination.

**§5.8. Inventory Report.**

(a) The Department requires the submission of an inventory report on an annual basis to be submitted to the Department, no later than sixty (60) days after the original end date of the contract.

(b) Vehicles, tools, and equipment purchased with funds under a contract with the Department, must be inventoried and reported to the Department during the contract period.

(c) The inventory report is cumulative and is used for vehicles, tools, and equipment with a useful life of one year of more and a unit acquisition cost of greater than $5,000 for Community Services Block Grant (CSBG), Comprehensive Energy Assistance

Program (CEAP), Weatherization Assistance Program (WAP) and greater than $500 for Emergency Shelter Grant Program (ESGP). Property must be inventoried and reported on the Cumulative Inventory Report form. The form and instructions are found on the Department's website.

**§5.9. Travel.**

The governing board of each subrecipient must adopt and submit to the Department approved travel policies that adhere to Office of Management and Budget (OMB) Circulars A-87, A-110, A-122, for cost allowability. The subrecipient must follow either the federal travel regulations or State of Texas travel rules and regulations found on the Comptroller of Public Accounts website at www.cpa.state.tx.us. If the travel policy and procedures are revised they must be submitted to the Department.

**§5.10. Procurement Standards.**

(a) Procurement procedures must meet minimum guidelines, according to Office of Management and Budget (OMB) Circulars A-87, A-102, A-110, A-122 (as applicable), the Uniform Grant Management Common Rule, Texas Government Code, Chapter 783, and 10 CFR Part 600 (Financial Assistance Rule).

(b) All subrecipients including non-profits must comply with all of the referenced statutes and regulations listed in subsection (a) of this section. In case of any conflict between the OMB Circulars or federal laws and state laws involving federal funds, the federal law or OMB Circulars will prevail.

(c) Additional Department requirements are:

(1) Small purchase procedures:

(A) This procedure may be used only on those services, supplies, or equipment costing in the aggregate of $25,000 or less. For Emergency Shelter Grant Program (ESGP), the threshold is $500 and more per unit;

(B) Subrecipient must establish a clear, accurate description of the specifications for the technical requirements of the material, equipment, or services to be procured; and

(C) Subrecipient must obtain a written price or documented rate quotation from an adequate number of qualified sources. An adequate number is, at a minimum, three different sources.

(2) Sealed bids:

(A) Subrecipient must formally advertise, for a minimum of three (3) days, in newspapers or through notices posted in public buildings throughout the service area. Advertising beyond the subrecipient's service area is allowable and recommended by the Department. The advertisement should include, at a minimum, a response time of fourteen (14) days prior to the closing date of the bid request. Cities and counties must comply with the statutorily imposed publication requirements in addition to those requirements stated herein; and

(B) When advertising for material or labor services, subrecipient shall indicate a period for which the materials or services are sought (e.g. for a one-year contract with an option to renew for an additional four (4) years). This advertised time period shall determine the length of time which may elapse before re-advertising for material or labor services, except that advertising for labor services must occur at least every five (5) years.

(3) Competitive proposals:

(A) The Request for Proposal (RFP) must be publicized. The preferred method of advertising is the local service area newspapers. This advertisement should, at a minimum, allow fourteen (14) days before the RFP is due. The due date must be stated in the advertisement; and

(B) The time period for services shall be one year, plus four (4) additional years at a maximum.

(4) Non-competitive proposals:

(A) The service, supply, or equipment is available only from a single source;

(B) A public emergency exists preventing the time required for competitive solicitation; and

(C) After solicitation of a number of sources, competition is determined inadequate.

(5) Required contract provisions shall include the following contract provisions or conditions in procurement contracts or subcontracts:

(A) Contracts in excess of $25,000 shall include contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances where subcontractors violate or breach the contract terms, and provide for such remedial actions as may be appropriate;

(B) All contracts in excess of $25,000 shall include suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the subrecipient;

(C) Contracts shall include a provision with regard to independent subcontractor status to hold harmless and indemnify subrecipient from and against any and all claims, demands and course of action asserted by any third party arising out of or in connection with the services to be performed under contract;

(D) Contracts shall include a provision regarding conflict of interest. Subrecipient's employees, officers, and/or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from subcontractors, or potential subcontractors; and

(E) Contracts shall include a provision to prevent fraud and abuse.

(i) Subrecipient shall establish, maintain, and utilize internal control systems and procedures sufficient to prevent, detect, and correct incidents of waste, fraud, and abuse in all Department funded programs and to provide for the proper and effective management of all program and fiscal activities funded by this contract. Subrecipient's internal control systems and all transactions and other significant events must be clearly documented and the documentation made readily available for review by Department.

(ii) Subrecipient shall give Department complete access to all of its records, employees, and agents for the purpose of monitoring or investigating the program. Subrecipient shall fully cooperate with Department's efforts to detect, investigate, and prevent waste, fraud, and abuse. Subrecipient shall immediately notify the Department of any identified instances of waste, fraud, or abuse.

(iii) Department will notify the funding source upon identification of possible instances of waste, fraud, and abuse or other serious deficiencies.

(iv) Subrecipient may not discriminate against any employee or other person who reports a violation of the terms of this contract or of any law or regulation to Department or to any appropriate law enforcement authority, if the report is made in good faith.

(F) Contracts shall include a provision to the effect that any alterations, additions, or deletions to the terms of the contract which are required by changes in federal law and regulations or state statute are automatically incorporated into the contract without written and administrative code amendment hereto, and shall become effective on the date designated by such law and or regulation; and any alterations, additions, or deletions to the terms of the contract shall be amended hereto in writing and executed by both parties to the contract.

(G) Contracts shall include the following provision assuring legal authority to sign the contract.

(i) Subcontractor represents that it possesses the practical ability and the legal authority to enter into the contract, receive and manage the funds authorized by the contract, and to perform the services subcontractor has obligated itself to perform under the contract.

(ii) The person signing the contract on behalf of the subcontractor warrants that he/she has been authorized by the subcontractor to execute the contract on behalf of the subcontractor and to bind the subcontractor to all terms set forth in the contract.

(iii) Department shall have the right to suspend or terminate the contract if there is a dispute as the legal authority of either the subcontractor or the person signing the contract to enter into the contract or to render performances thereunder. Should such suspension or termination occur, the subcontractor is liable to the subrecipient for any money it has received for performance of provisions of the contract.

**§5.11. Procurement/Cooperative Purchasing Program.**

The State of Texas conducts procurement for many materials, goods, and appliances. The State of Texas procurement process complies with the required procurement provisions. For more detail about how to purchase from the State contract, please contact: State of Texas Co-Op Purchasing Program, Texas Comptroller of Public Accounts, Web address: http://www.window.state.tx.us/procurement/prog/coop/; e-mail: coop@cpa.state.tx.us; phone number: (512) 463-3368. If subrecipients choose to use the Cooperative Purchasing Program, they will need documentation of annual fee payment.

**§5.12. Purchases.**

Purchases of personal property, equipment, goods or services with a unit acquisition cost of over $5,000 for Community Services Block Grant (CSBG), Comprehensive Energy Assistance Program (CEAP), and Weatherization Assistance Program (WAP) and $500 or greater for Emergency Shelter Grant Program (ESGP) require prior approval from the TDHCA Community Affairs Division before the purchase can take place.

**§5.13. Bonding Requirements.**

(a) The following requirements relate only to construction or facility improvements.

(1) For contracts exceeding $100,000 the Department may accept the bonding policy and requirements of the subrecipient, provided the Department has made a written finding that the Department is adequately protected.

(2) For contracts in excess of $100,000, and for which the subrecipient cannot make a determination that the Department's interest is adequately protected, a "bid guarantee" from each bidder equivalent to five (5) of the bid price shall be requested. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified. A bid bond in the form of all of the following may represent a "bid guarantee."

(A) A performance bond on the part of the subrecipient for 100% of the contract price. A "performance bond" is one executed in connection with a contract, to secure fulfillment of all subcontractors' obligations under such contract.

(B) A payment bond on the part of the subcontractor for 100% of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.

(C) Where bonds are required, in the situations described herein, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR Part 223, "Surety Companies Doing Business with the United States."

(b) Cities and counties must comply with the bond requirements of Texas Civil Statutes, Articles 2252 and 5160, and Local Government Code §252.044 and §262.032, as applicable.

**§5.14. Subrecipient Contract.**

(a) Upon Board approval, the Department's Executive Director and subrecipients shall enter into and execute an agreement for the receipt of funds. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to the contract.

(b) Within sixty (60) days following the conclusion of a contract issued by the Department, the subrecipient shall provide a full accounting of funds expended under the terms of the contract.

(c) Failure of a subrecipient to provide an accounting of funds expended under the terms of the contract may be sufficient reason for the Department to deny any future contract to the subrecipient.

**§5.15. Federal Funding Accountability and Transparency Act (FFATA).**
All entities receiving funds of $25,000 or more must be registered in the federal Central Contractor Registration (CCR) and have a current Data Universal Numbering System (DUNS) number.

**§5.16. Monitoring of Subrecipients.**
(a) The Department's Community Affairs Division (CAD) is responsible for ensuring that the Community Services Block Grant (CSBG), Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP), and Emergency Shelter Grant Program (ESGP) program activities are completed and that the funds are expended in accordance with the contract provisions and applicable State and Federal rules, regulations, policies, and related statutes. In order to ensure such, the Department will conduct monitoring reviews of the subrecipients to evaluate the effectiveness of subrecipient's performance and program compliance through on-site and desk monitoring as described in §5.15 of this chapter (relating to Federal Funding Accountability and Transparency Act (FFATA)) following the requirements of §678B of PL 105-285 Subtitle B, §2605(B)(10) of PL 97-35, as amended, 10 CFR §440.23(d), and 24 CFR §576.61 and §576.57(f) and (g), respectively.

(1) CAD employs a subrecipient monitoring procedure that is based upon an assessment of associated risks. The factors may include but are not limited to the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and funding amount of Department funded contracts, final expenditure rate, and single audit status or other factors. Ranking of subrecipients will determine whether an on-site review or a desk review is completed unless Department management determines an on-site review is needed.

(2) CAD may conduct unannounced on-site monitoring reviews of subrecipients identified as at risk for contract termination, if deficiencies identified from prior monitoring activities persist or remain unresolved for an unreasonable period of time. In the event of reports of fraud and abuse or other extenuating circumstances the Department may make an unannounced on-site monitoring review.

(3) Follow-up reviews may be performed to ensure implementation of corrective action of subrecipients that failed to meet the goals, standards, and requirements established by the Department.

(4) Technical assistance and training will be provided to the subrecipient to address program deficiencies.

(5) A monitoring instrument is used to perform monitoring reviews. Support documentation is retained by the Department to verify: the achievement of performance goals; conduct of eligible activities; and compliance with other contractual regulatory provisions and financial accountability. Monitoring reviews of subrecipients also include reviewing annual financial reports and any related management letters and financial documents.

(6) Following the onsite monitoring review, a monitoring report is prepared and submitted to the subrecipients outlining any administrative, program, and financial deficiencies. The monitoring report also includes notes, recommended improvements, corrective actions or a corrective action plan. Subrecipients must respond to the

monitoring report within forty-five (45) calendar days from the date of the monitoring report.

(A) Finding--The written description of a deficient condition that is significantly substandard according to the monitoring standards. Findings may also be deficiencies found with regard to compliance with program rules, required cost principles, federal, state and/or local laws, and generally accepted accounting procedures or Generally Accepted Accounting Principles. In general, findings require corrective action to create an acceptable level of risk for disbursement of funds. The description of a finding might include the cause and effect of the deficient condition.

(B) Recommended Improvement--Suggested best practice(s) to enhance program, operational, financial, or administrative practices.

(C) Note--An explanatory tool to further describe and clarify findings or recommended improvements. A note may also be used to include additional information related to the monitoring review but not related to a finding or recommended improvement.

(7) Subrecipients are required to have at a minimum the following documents available, and any other requested documents, for the monitoring review:

(A) Roster of staff (name, title, salary and status)--All Community Affairs programs;

(B) Current agency organization chart;

(C) List of Board of Directors to include: names, addresses and telephone numbers, tenure on the board, section represented by the board member, list of committees--CSBG and ESGP;

(D) Board election/selection materials--CSBG;

(E) Board minutes (previous six meetings) and attendance roster--CSBG and ESGP;

(F) List of neighborhood centers with names of staff--CSBG and CEAP;

(G) Personnel policies;

(H) Bylaws--CSBG and ESGP;

(I) Travel policies and records;

(J) Chart of accounts;

(K) Accounting records (journals/ledgers) and support documentation;

(L) Amount of Cash on Hand (at time of monitoring);

(M) Bank reconciliation records;

(N) Agency's proof of fidelity bond coverage;

(O) Documentation of match requirements--ESGP;

(P) Closeout data for prior program year--CEAP and WAP;

(Q) Access to client files and documentation of performance--All Community Affairs programs;

(R) Declaration of Income Statement (DIS) Policy/Procedure--All Community Affairs programs;

(S) Appeals Procedures--CEAP and WAP;

(T) Subcontract agreements with appropriate procurement packages (if applicable)--All Community Affairs programs;

(U) Procurement policy;

(V) Documentation of current contract inventory--All Community Affairs programs;

(W) Documentation of coordination with other local programs (including contact person and phone numbers)--CSBG;

(X) Copies of most recent monitoring reports and/or performance reviews of all programs administered by the organization;

(Y) Copy of the most recent Single Audit Report--Organizations that expend more than $500,000 in federal funds during a fiscal year must have a single audit conducted for that year (A-133 Subpart B.200). Organizations that do not exceed the $500,000 federal fund expenditure threshold are exempt from the single audit requirements. If an organization is not required to have a single audit performed, the organization must provide the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow); and

(Z) If applicable, documentation of the most recent Head Start Onsite Monitoring Document review, including results, responses, and current status--CSBG.

(b) Subrecipients not exempt from the single audit requirements are responsible for submitting their Single Audit Report within thirty (30) days of completion of their audit and no later than nine (9) months after the end of the audit period (fiscal year end) to the Department's Portfolio Management and Compliance Division as well as to the CA Division. Refer to 31 U.S.C. §7502.

(c) Monitoring reviews of subrecipients will include a review of the subrecipient's annual financial reports and any related management letters and financial documents.

**§5.17. Sanctions and Contract Close Out.**

(a) Subrecipients that have entered into contract with the Department to administer programs are required to follow state and federal laws and regulations and rules governing these programs.

(b) Except as expressly modified by law or the terms of a subrecipient's contract, the subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant and Contract Management Standards (UGMS), 1 TAC §§5.141, et seq.

(c) If a subrecipient fails to comply with the requirements, rules, and regulations of the CSBG, CEAP, WAP, or ESGP programs, and in the event monitoring or other reliable sources reveal material deficiencies in performance, or if the subrecipient fails to correct any deficiency within the time allowed by federal or state law, the Department will apply one or more of the following sanctions:

(1) Deny the subrecipient's requests for advances and place it on a cost reimbursement method of payment until proof of compliance with the rules and regulations are received by the Department;

(2) Withhold all payments from the subrecipient (both reimbursements and advances) until proof of compliance with the rules and regulations are received by the Department, reduce the allocation of funds (with the exception of Community Services Block Grant (CSBG) funds to eligible entities) or impose sanctions as deemed appropriate by the Department Executive Director, at any time, if the Department identifies possible

instances of fraud, abuse, fiscal mismanagement, or other serious deficiencies in the subrecipients' performance;

(3) Suspend performance of the contract or reduce funds until proof of compliance with the rules and regulations are received by the Department or a decision is made by the Department to initiate proceedings for contract termination;

(4) Elect not to provide future grant funds to the subrecipient until appropriate actions are taken to ensure compliance; or

(5) Terminate the contract. Adhering to the requirements governing each specific program administered by the Department, as needed, the Department may determine to proceed with the termination of a contract, in whole or in part, at any time the Department establishes there is good cause for termination. Such cause may include, but is not limited to, fraud, abuse, fiscal mismanagement, or other serious deficiencies in the subrecipient's performance. For CSBG contract termination procedures, please refer to §5.206 of this chapter (relating to Termination and Reduction of Funding).

(d) Contract Close-out. When the Department moves to terminate a contract, the following procedures will be implemented.

(1) The Department will issue a termination letter to the subrecipient no less than thirty (30) days prior to terminating the contract. The Department may determine to take one of the following actions: suspend funds immediately; establish a cost reimbursement plan for closeout proceedings; or provide instructions to the subrecipient to prepare a proposed budget and written plan of action that supports the closeout of the contract. The plan must identify the name and current job titles of staff that will perform the close-out and an estimated dollar amount to be incurred. The Department will respond within ten (10) working days from receipt of the plan.

(2) If the Department determines that cost reimbursement is an appropriate method of providing funds to accomplish closeout, the subrecipient will submit backup documentation for all current expenditures associated with the closeout. The required documentation will include, but not be limited to, the chart of accounts, detailed general ledger, revenue and expenditure statements, time sheets, payment vouchers and/or receipts, and bank reconciliations.

(3) No later than thirty (30) days after the contract is terminated, the Subrecipient will take a physical inventory of client files, including case management files, and will submit to the Department an inventory of equipment with a unit acquisition cost of $5,000 or greater for Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP) and CSBG or a unit acquisition cost of $500 or greater for ESGP.

(4) The terminated subrecipient will have thirty (30) days from the date of the physical inventory to copy all current client files. Client files must be boxed by county of origin. Current and active case management files also must be copied, inventoried, and boxed by county of origin.

(5) Within thirty (30) days following the subrecipient's due date for copying and boxing client files, Department staff will retrieve copied client files.

(6) The terminated subrecipient will prepare and submit no later than sixty (60) days from the date the contract is terminated, a final report (TDHCA Form 85) containing a full accounting of all funds expended under the contract.

(7) A final Monthly Financial Funding Programmatic Report for all remaining expenditures incurred during the close-out period must be received by the Department no later than sixty (60) days from the date the Department determines that the closeout of the program and the period of transition are complete.

(8) The subrecipient will submit to the Department no later than sixty (60) days after the termination of the contract, an inventory (TDHCA Form 27) of the non-expendable personal property (as defined in Attachment N of the Uniform Grant Management Standards) acquired in whole or in part with funds received under the contract.

(9) The Department will transfer title to equipment having a unit acquisition cost (the net invoice unit price of an item of equipment) of:

(A) $5,000 or greater for CEAP, WAP, and CSBG; or

(B) $500 or greater for ESGP to the Department or to any other entity receiving funds under the program in question. The Department will make arrangements to remove equipment covered by this paragraph within ninety (90) days following termination of the contract.

(10) Upon selection of a new service provider, the Department will transfer to the new provider client files and, as appropriate, equipment.

(11) As required by OMB Circular A-133, a current year Single Audit must be performed for all agencies that have exceeded the federal expenditure threshold of $500,000. The Department will allow a proportionate share of program funds to pay for accrued audit costs, when an audit is required, for a Single Audit that covers the date up to the closeout of the contract. The terminated subrecipient must have a binding contract with a CPA firm on or before the termination date of the contract. The actual costs of the Single Audit and accrued audit costs including support documentation must be submitted to the Department no later than sixty (60) days from the date the Department determines the close-out is complete.

(12) Subrecipients shall submit within sixty (60) days after the date of the close-out process all financial, performance, and other applicable reports to the Department. The Department may approve extensions when requested by the subrecipient. However, unless the Department authorizes an extension, the subrecipient must abide by the sixty (60) day contractual requirement of submitting all referenced reports and documentation to the Department.

**§5.18. Information Technology Security Practices.**

(a) Subrecipients are encouraged to follow the Information Technology Security Practices and Guidelines to help protect and control financial and performance data associated with the Texas Department of Housing and Community Affairs (TDHCA) programs.

(b) Information Technology Security Practices and Guidelines may be obtained by accessing the TDHCA Web site at www.tdhca.state.tx.us.

**§5.19. Client Income Guidelines.**

(a) The Department has defined eligibility for program assistance under the poverty income guidelines provided annually by the Secretary of the U.S. Department of Health and Human Services.

(b) The Department will use the following list of included and excluded income to determine eligibility for all programs.

(1) Included Income:

(A) Temporary Assistance for Needy Families (TANF);

(B) Money, wages and salaries before any deductions;

(C) Net receipts from non-farm or farm self-employment (receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses);

(D) Regular payments from social security;

(E) Railroad retirement;

(F) Unemployment compensation;

(G) Strike benefits from union funds;

(H) Worker's compensation;

(I) Training stipends;

(J) Alimony;

(K) Military family allotments;

(L) Private pensions;

(M) Government employee pensions (including military retirement pay);

(N) Regular insurance or annuity payments; and

(O) Dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts; and net gambling or lottery winnings.

(2) Excluded Income:

(A) Social Security Disability Insurance (SSDI) payments;

(B) Supplemental Security Income (SSI) payments;

(C) Capital gains; any assets drawn down as withdrawals from a bank;

(D) The sale of property, a house, or a car;

(E) One-time payments from a welfare agency to a family or person who is in temporary financial difficulty;

(F) Tax refunds, gifts, loans, and lump-sum inheritances;

(G) One-time insurance payments, or compensation for injury;

(H) Non-cash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits;

(I) Food or housing received in lieu of wages;

(J) The value of food and fuel produced and consumed on farms;

(K) The imputed value of rent from owner-occupied non-farm or farm housing;

(L) Federal non-cash benefit programs as Medicare, Medicaid, Food Stamps, and school lunches;

(M) Housing assistance and combat zone pay to the military;

(N) Veterans (VA) Disability Payments;

(O) College scholarships, Pell and other grant sources, assistantships, fellowships and work study, VA Education Benefits (GI Bill); and

(P) Child support payments.

**§5.20. Determining Income Eligibility.**

(a) The U.S. Department of Health and Human Services (USDHHS) annually provides poverty income guidelines for use in determining client eligibility. Community Affairs Division programs are required to follow these income guidelines for the programs listed below.

(b) ~~The subrecipients shall establish the client eligibility level at or below 200% of the federal poverty level in effect at the time the client makes an application for services.~~ The following client eligibility levels (until superseded) shall apply to clients at the time the client makes an application for services:

(1) Community Services Block Grant (CSBG) - 125% of the current federal poverty level;

(2) Emergency Shelter Grants Program (ESGP) – 100% of the current federal poverty level;

(3) Homelessness Prevention and Rapid ReHousing Program (HPRP) –50% of Area Median Income as defined by USDHUD;

(4) Weatherization Assistance Program (WAP) and ARRA WAP — 200% of the current federal poverty level;

(5) Comprehensive Energy Assistance Program (CEAP) 200% of the current federal poverty level.

(c) To determine income eligibility for program services, subrecipients must base annualized eligibility determinations on household income from thirty (30) days prior to the date of application for assistance. Each subrecipient must maintain documentation of income from all sources for all household members for the entire thirty (30) day period prior to the date of application and multiply the monthly amount by twelve (12) to annualize income. Income documentation must be collected from all income sources for all household members eighteen (18) years and older for the entire thirty (30) day period.

(d) If proof of income is unavailable, the applicant must complete and sign a Department approved Declaration of Income Statement.

**§5.21. Subrecipient Contact Information**.

(a) Subrecipients will notify the Community Affairs Division (CAD) of key management staff vacancies and will provide contact information for key management staff new hires. Contact information will include, name, title, phone number, and direct email address.

(b) As vacancies occur within the organization's board of directors, the CAD will be notified of such vacancies and, if applicable, the sector the board member represented.

(c) Contact information for the board of director's board chair must be provided to CAD and shall include: the board chair's name, mailing address (which must be different from the organization's mailing address), phone number (different from the organization's phone number), fax number (if applicable), and the direct e-mail address for the board chair.

**§5.22. Offsite Record Retention.**

Client Records. The Department requires subrecipient organizations that administer Community Affairs Programs and serve clients to document client services. Subrecipient organizations must arrange for the security of all program-related computer files through a remote, online, or managed backup service. Confidential client files must be maintained in a manner to protect the privacy of each client and to maintain the same for future reference. Subrecipient organizations must store physical client files in a secure space in a manner that ensures confidentiality and in accordance with Subrecipient organization policies and procedures. To the extent that it is financially feasible, archived client files should be stored offsite from Subrecipient headquarters, in a secure space in a manner that ensures confidentiality and in accordance with organization policies and procedures.

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS.
SUBCHAPTER B. COMMUNITY SERVICES BLOCK GRANT (CSBG).

**§5.201. Background.**
(a) In addition to the following rules for the Community Services Block Grant (CSBG) program, the rules established in Subchapter A of this chapter also apply to the CSBG program, except those that relate to the suspension, reduction, withholding or termination of funding. The CSBG Act was amended by the "Community Services Block Grant Amendments of 1994" and the Coats Human Services Reauthorization Act of 1998. The Secretary is authorized to establish a community services block grant program and make grants available through the program to states to ameliorate the causes of poverty in communities within the states.

(b) The Texas Legislature designated the Department as the lead agency for the administration of the CSBG program pursuant to Texas Government Code, §2306.092. CSBG funds will be made available to eligible entities to carry out the purposes of the CSBG program.

**§5.202. Purpose and Goals.**
Community Services Block Grant (CSBG) funds provide assistance to states and local communities, working through a network of community action agencies and other neighborhood-based organizations for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient (particularly families who are attempting to transition off a state program carried out under part A of title IV of the Social Security Act.)

**§5.203. Distribution of CSBG Funds.**
(a) The CSBG Act requires that no less than 90% of the state's allocation be allocated to eligible entities. The Department currently utilizes a multi-factor fund distribution formula to equitably provide CSBG funds throughout the state's 254 counties to the CSBG eligible entities. Revisions to the formula shall be considered on a biennial basis including the release of decennial census figures. Changes to the formula shall be presented to the Governing Board for approval. ~~The formula incorporates the most current decennial U.S. Census figures at 125% of poverty; a $50,000 base; a $150,000 floor (the minimum funding level); a 98% weighted factor for poverty population; and, a 2% weighted factor for the inverse ratio of population density.~~

~~(1) Each eligible entity receives a base amount of $50,000;~~

~~(2) The weighted factors of poverty population and population density are applied to the funds remaining after the base award funds have been distributed to each eligible entity;~~

~~(3) The Department then determines if any eligible entity is below the $150,000 floor after the base amount and weighted factors (poverty population and population density) have been applied, then the minimum floor amount is reserved for those entities below $150,000;~~

~~(4) The remaining funds are distributed to the remaining eligible entities. As was done with the initial run of the formula, each of the remaining eligible entities receives the base amount of $50,000 and then the weighted factors (poverty population and population density) are applied to determine the allocation amounts for eligible entities funded above the $150,000.~~

(b) Five percent (5%) of the Department's annual allocation of CSBG funds and any funds not spent as identified in subsection (c) of this section, may be expended for activities as per 42 U.S.C. §9907(b)(A) - (H) and activities that may include:

(1) the provision of training and technical assistance to CSBG eligible entities;

(2) services to low-income migrant seasonal farm worker and Native American populations;

(3) assisting CSBG eligible entities in responding to natural or man-made disasters;

(4) funding for innovative and demonstration projects that assist CSBG target population groups to overcome at least one of the barriers to attaining self-sufficiency; and

(5) other projects/initiatives, including state conference expenses. The Department may provide monetary awards to subrecipients for outstanding performance. To ensure consistent and comparable results, the process for monetary awards to CSBG subrecipients will be standardized.

(c) Up to five percent (5%) of the Department's annual allocation of CSBG funds will be used for administrative purposes consistent with state and federal law.

**§5.204. Use of Funds.**

(a) CSBG funds distributed to eligible entities for a fiscal year may be available for obligation during that fiscal year and the succeeding fiscal year. Eligible entities may use the funds for administrative support and/or for direct services such as: education, employment, housing, health care, nutrition, transportation, linkages with other service providers, youth programs, emergency services, i.e., utilities, rent, food, shelter, clothing etc. For additional requirements reference 42 U.S.C. §9908(b)(A)(i-vii) and Office of Management and Budget (OMB) Circulars A-122 and A-87.

(b) Utility and rent deposit refunds from vendors must be reimbursed to the subrecipient and not the client. Funds should be treated as program income.

**§5.205. Limitations on Use of Funds.**

Construction of Facilities. CSBG funds may not be used for the purchase, construction or improvement of land, or facilities as described in (42 U.S.C. §9918(a)).

**§5.206. Termination and Reduction of Funding.**

(a) If the Department determines, on the basis of a final decision in a review pursuant to the CSBG Act, that an eligible entity fails to comply with the terms of an agreement or the state plan, to provide services under the CSBG Act or to meet appropriate standards, goals, and other requirements established by the Department (including performance objectives), the Department shall:

(1) inform the entity of the deficiency to be corrected;

(2) require the entity to correct the deficiency;

(3) offer training and technical assistance, if appropriate, to help correct the deficiency, and, as appropriate, prepare and submit to the Secretary a report describing the training and technical assistance offered; or if the Department determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination and the reasons for proceeding with termination proceedings;

(4) At the discretion of the Department (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), the Department shall allow the entity to develop and implement, within sixty (60) days after being informed of the deficiency, a Quality Improvement Plan (QIP) to correct such deficiency within a reasonable period of time, as determined by the Department. No later than thirty (30) days after receiving from an eligible entity a proposed QIP, the Department shall either approve such proposed plan or specify the reasons why the proposed plan cannot be approved;

(5) If the Department does not accept the QIP, the Department, after providing adequate notice of impending termination proceedings and an opportunity for a hearing, may initiate proceedings to terminate or reduce the funding of a subrecipient; and

(6) If the Department has implemented sanctions against a subrecipient and the subrecipient has failed to comply with the QIP or a corrective action plan, the Department may request of the subrecipient's Board of Directors the voluntary relinquishment of the CSBG program and their designation as a CSBG eligible entity. If the subrecipient accepts to voluntarily relinquish the CSBG program, the Department will commence contract termination proceedings. If the subrecipient rejects voluntarily relinquishment of the CSBG program or the Department does not accept the subrecipient's QIP, the Department will initiate procedures for a hearing.

(A) Pursuant to the CSBG Act, the Department will provide notice and an opportunity for a hearing.

(B) The Department will select an Administrative Law Judge (ALJ) to oversee the proceedings of the hearing. The Department will coordinate establishing a date, time and hearing location with the ALJ and will provide adequate notice to the subrecipient. The ALJ will determine whether there is cause, as defined by the CSBG Act, U.S.C. §9908(c), to terminate or reduce funding the subrecipient. The ALJ will issue a proposal for decision on the facts and a recommendation will be presented to the Department's Governing Board for final review.

(C) If the ALJ determines that there is cause to terminate or reduce funding, pursuant to 42 U.S.C. §9915, the Department will notify the subrecipient that it has the right under

42 U.S.C. §9915 to seek review of the decision by the USDHHS. If the USDHHS does not overturn the decision, or if the subrecipient does not seek USDHHS review, the Department will initiate proceedings to terminate and close-out the contract.

(b) Any right or remedy given to the Department by this chapter does not preclude the existence of any other right or remedy, nor shall any action or lack of action by the Department in the exercise of any right or remedy be deemed a waiver of any other right or remedy.

**§5.207. Subrecipient Performance.**
(a) Budgets. CSBG eligible entities and any other funded organizations shall submit a budget to facilitate the contract execution process. A certification of board approval of CSBG budget form issued by the Department must also be submitted with planned budgets.

(b) Unexpended Funds. The Department reserves the right to deobligate funds.
(1) The U.S. Department of Health and Human Services Administration for Children and Families issues terms and conditions for receipt of funds under the CSBG. Subrecipients of CSBG funds will comply with the requirements of the terms and conditions of the CSBG award. Services must be provided on or before September 30th of the subsequent year and funds must be fully expended.
(2) The Coats Human Services Reauthorization Act of 1998, allows states to recapture unexpended CSBG funds in excess of 20% of the CSBG funds obligated to an eligible entity. This may be superseded by Congressional action in the appropriation process or by the terms and conditions issued by U.S. Department of Health and Human Services in the CSBG award letter.

(c) Services to Poverty Population. The subrecipient organizations administering services to clients in one or more CSBG service area counties shall ensure that such services are rendered reasonably and in an equitable manner to ensure fairness among all potential applicants eligible for services. Services rendered must reflect the poverty population ratios in the service area and services should be distributed based on the proportionate representation of the poverty population within a county. A variance of greater than plus or minus 20% ~~will~~ may constitute a finding. Subrecipients with a service area of a single county shall demonstrate marketing and outreach efforts to render direct services to a reasonable percentage of the county's eligible population based on the most recent decennial census. Services should also be distributed based on the proportionate representation of the poverty population within a county.

**§5.208. Designation and Re-designation of Eligible Entities in Unserved Areas.**
If any geographic area of the state ceases to be served by an eligible entity, the requirements of 42 U.S.C. §9909 will be followed.

**§5.209. State Application and Plan.**

(a) The Department submits to the Secretary every two years a state plan and a CSBG application. The Department holds public hearings in different areas of the state to solicit public comment on the intended use of CSBG funds. The Department will provide notice of the public hearings regarding the state plan no later than the 15th day before the date of the hearing and publish the draft state plan on the Department's web site at least ten (10) days before the first public hearing.

(b) Every two (2) years in conjunction with the development of the state plan, the Department submits the CSBG budget to the Texas State Legislature for review during the legislative hearings, as part of the Legislative Appropriations Request (LAR) process.

**§5.210. CSBG Needs Assessment and Community Action Plan.**

(a) In accordance with the CSBG Act and §676 of the Act, the Department is required to secure a Community Action Plan on an annual basis from each CSBG eligible entity due on October 31st.

(b) Every five years, the CSBG Community Action Plan will include a community needs assessment from every CSBG Eligible Entity.

(c) The Community Action Plan shall at a minimum include a description of the delivery of services for the case management system and in accordance with the National Performance Indicators and shall include a performance statement that describes the services, programs and activities to be administered by the organization.

(d) Hearing. A board certification that a public hearing was conducted on the proposed use of funds for the Community Action Plan must be submitted to the Department with the plan.

~~(d)~~ (e) Intake Form. To fulfill the requirements of 42 U.S.C. §9917, CSBG subrecipients must complete an intake form which includes the demographic and household characteristic data required for the monthly performance and expenditure report, referenced in Subchapter A of this chapter, for all households receiving a community action service. A new CSBG intake form or a centralized intake form must be completed on an annual basis to coincide with the CSBG program year of January 1st through December 31st.

~~(e)~~ (f) Case Management.

(1) In keeping with the regulations issued under Title II, §676(b) State Application and Plan, the Department requires CSBG subrecipients to incorporate integrated case management systems in the administration of their CSBG program (Title II, §676(b)). Incorporating case management in the service delivery system and providing assistance that has a long-term impact on the client, such as enabling the client to move from

poverty to self-sufficiency, to maintain stable families, and to revitalize the community, supports the requirements of §676(b). An integrated case management system, improves the overall provision of assistance and improves each subrecipient's ability to transition persons from poverty to self-sufficiency.

(2) Subrecipients must have in operation a case management program that has the following components:

(A) Intake Form;

(B) Pre-assessment to determine service needs, to determine the need for case management, and to determine which individuals/families to consider enrolling in case management program;

(C) Integrated assessment of individual/family service needs of those accepted into case management program;

(D) Development of case management service plan to meet goals and become self-sufficient;

(E) Provision of services and coordination of services to meet needs and achieve self-sufficiency;

(F) Monitoring and follow-up of participant's progress;

(G) Case closure, once individual has become self-sufficient; and

(H) Evaluation process to determine effectiveness of case management system.

(3) As required by CSBG statute §678G (b)(1-2), Subrecipients shall inform custodial parents in single-parent families that participate in programs, activities, or services about the services available through the Texas Attorney General's Office with respect to the collection of child support payments and/or refer eligible parents to the Texas Attorney General's Office of Child Support Services Division.

~~(f) Organizations~~ (g) Non-CSBG eligible entities receiving state discretionary funds under §5.203(b) of this subchapter are not required to submit a Community Action Plan. All CSBG subrecipients must develop a performance statement which identifies the services, programs, and activities to be administered by the organization.

(h) Subrecipient Requirements for Appeals Process for CSBG Applicants/Clients

Subrecipients shall establish a CSBG grievance procedure to address written complaints from program applicants/clients. At a minimum, the following procedures should be included.

(1) Subrecipients shall provide a written denial of assistance notice to applicant/client within ten (10) days of the adverse determination. This notification shall include written instructions of the appeals process and specific reasons for the denial by component. The applicant wishing to appeal a decision must provide written notice to subrecipient within ten (10) days of receipt of the denial notice.

(2) The subrecipient who receives an appeal or client complaint shall establish a hearing committee composed of at least three persons. Subrecipient shall maintain documentation of appeals/complaints in their client files.

(3) The subrecipient shall hold the hearing within ten business days after the subrecipient received the appeal/complaint request from the applicant/client.

(4) The subrecipient shall record the hearing.

(5) The hearing shall allow time for a statement by subrecipient staff with knowledge of the case.

(6) The hearing shall allow the applicant/client at least equal time, if requested, to present relevant information contesting the decision.

(7) Subrecipient shall notify applicant/client of the decision in writing. The subrecipient shall mail the notification by close of business on the business day following the decision (1 day turn-around).

(8) If the applicant/client is not satisfied, they may further appeal the decision in writing to the Department within ten (10) days of notification of an adverse decision.

(9) The Department may review the recording of the hearing, the committee's decision, and any other relevant information necessary.

(10) The Department appeals committee shall decide the case and forward their recommendation to the Division Director for final concurrence.

(11) The Department will notify all parties in writing of its decision within thirty (30) days of receipt of the appeal.

**§5.211. Subrecipient Reporting Requirements.**

(a) Monthly Performance and Expenditure Report. CSBG subrecipients must submit a monthly performance and expenditure report. Subrecipients shall submit the Monthly Expenditure Report and Monthly Performance Report no later than the fifteenth (15th) day of the month after each month of the contract period. Even if a fund reimbursement is not being requested, an Expenditure Report must be submitted electronically on or before the fifteenth (15th) day of each month of the grant period. A final Expenditure Report must be submitted within sixty (60) days after the CSBG contract ends. The "Community Affairs Contract User Guide System" may be accessed through the TDHCA website, www.tdhca.state.tx.us.

(b) Reporting. Federal requirements mandate all states to participate in the preparation of an annual performance measurement report (also referred to as the CSBG National Survey). To comply with the requirements of §678E of the CSBG Act, all CSBG eligible entities and other organizations receiving CSBG funds are required to participate.

**§5.212. CSBG Board of Directors Membership and Meeting Requirements for CSBG Eligible Entity's Tripartite Boards.**

(a) General Board Requirements:

(1) The Coats Human Services Reauthorization Act (Public Law 105-285) addresses the CSBG program and requires that eligible entities administer the CSBG program through a tripartite board. The Act requires that governing boards or a governing body be involved in the development, planning, implementation, and evaluation of the programs serving the low-income sector. Also, the Texas Legislature, through §551.001(3) of the Texas Government Code, addresses specific requirements regarding meetings, meeting notices, and open meeting records through the Open Meetings Act (Texas Government Code, §§551.001, et seq.) and the Public Information Act (Texas Government Code, §§552, et seq.). State legislation has also defined as a

governmental body, nonprofit corporation boards that are eligible to receive funds under the federal CSBG program and that are authorized by the state to serve a geographic area of the state.

(2) Federal requirements for establishing a tripartite board require board oversight responsibilities for public entities, which differ from requirements for private organizations. Where differences occur between private and public organizations, requirements for each entity have been noted in related sections of the rule.

(b) Each CSBG eligible entity shall comply with the provisions of this rule and if necessary, the eligible entity's by-laws shall be amended to reflect compliance with these requirements.

**§5.213. Board Structure.**

(a) Private nonprofit entities, shall administer the CSBG program through a tripartite board that fully participates in the development, planning, implementation, and evaluation of the program to serve low-income communities. Some of the members of the board shall be selected by the private nonprofit entity and others through a democratic process; the board shall be composed so as to assure that the requirements of §676B(a)(2) of the CSBG Act are followed and are composed as follows:

(1) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Appointive public officials or their representatives or alternates may be counted in meeting the 1/3 requirement. Refer to subsection (d)(1)(B) of this section entitled "Permanent Representatives and Alternates" for related information;

(2) not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served; and each representative of low-income individuals and families selected to represent a specific neighborhood within a community under subsection (b)(1)(B) of this section, resides in the neighborhood represented by the member;

(3) the remainder are members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(b) For public organizations to be considered to be an eligible entity for purposes of the CSBG Act, §676B(b), the entity shall administer the CSBG grant through tripartite boards as follows:

(1) A tripartite board, which shall have members selected by the organization and shall be composed so as to assure that not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members:

(A) are representative of low-income individuals and families in the neighborhood served;

(B) reside in the neighborhood served; and

(C) are able to participate actively in the development, planning, implementation, and evaluation of programs funded under this chapter; or

(D) If conditions in subparagraphs (A) - (C) of this paragraph are not utilized, then another mechanism specified by the state which meets the tripartite requirements may be used. Public organizations that choose to utilize another mechanism must submit to the Department, for review and approval, a description of the mechanism to be utilized to select low-income representatives. The mechanism must assure decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of programs funded under this chapter.

(2) One-third of the members of the board shall be elected public officials, holding office on the date of the selection, or their representatives. In the event that there are not enough elected public officials reasonably available and willing to serve on the board, the entity may select appointive public officials to serve on the board. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board. Refer to subsection (d)(1)(B) of this section, entitled "Permanent Representatives and Alternates" for related information.

(3) The remainder of the members are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served.

(c) Eligible entities administering the Head Start Program must comply with, the Head Start Act (42 U.S.C. §9837) that requires the governing body membership to comply with the requirements of §642(c)(1) of the Head Start Act. Exceptions shall be made to the requirements of clauses (i) - (iv) of §642(c)(1) of the Head Start Act for members of a governing body when those members oversee a public entity and are selected to their positions with the public entity by public election or political appointment.

(d) Selection. Pursuant to §676B of the CSBG Act, Private nonprofit entities and public organizations have the responsibility for selection and composition of the board.

(1) Public Officials:

(A) Elected public officials or appointed public officials, selected to serve on the board, shall have either general governmental responsibilities or responsibilities which require them to deal with poverty-related issues; and

(B) Permanent Representatives and Alternates. The public officials selected to serve on the board may each choose one permanent representative or designate an alternate to serve on the board.

(i) Permanent Representatives. The public officials selected by a private nonprofit entity or public organization to serve on the board may each choose one permanent representative to serve on the board in a full-time capacity. The public officials of the public organization may choose a representative to serve on the board or other governmental body. The representative need not be a public official but shall have full authority to act for the public official at meetings of the board. Permanent representatives may hold an officer position on the board. If a permanent representative is not chosen, then an alternate may be designated by the public official selected to serve on the board. Alternates may not hold an officer position on the board.

(ii) Alternate Representatives. If the private nonprofit entity or public organization board chooses to allow alternates, the alternates for low-income representatives shall be elected at the same time and in the same manner as the board representative is elected to serve on the board. Alternates for representatives of private sector organizations may be designated to serve on the board and should be selected at the same time the board representative is selected. In the event that the board member or alternate ceases to be a member of the organization represented, he/she shall no longer be eligible to serve on the board. Alternates may not hold an officer position on the board.

(2) Low-Income Representatives:

(A) An essential objective of community action is participation by low-income individuals in the programs which affect their lives; therefore, the CSBG Act and its amendments require representation of low-income individuals on boards or state-specified governing bodies. The CSBG statute requires that not fewer than one-third of the members shall be representatives of low-income individuals and families and that they shall be chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhoods served; and that each representative of low-income individuals and families selected to represent a specific neighborhood within a community resides in the neighborhood represented by the member; or

(B) Board members representing low-income individuals and families must be selected in accordance with a democratic procedure. This procedure, as detailed in subparagraph (D) of this paragraph, may be either directly through election, public forum, or, if not possible, through a similar democratic process such as election to a position of responsibility in another significant service or community organization such as a school PTA, a faith-based organization leadership group; or an advisory board/governing council to another low-income service provider;

(C) Every effort should be made by the nonprofit entity or public organization to assure that low-income representatives are truly representative of current residents of the geographic area to be served, including racial and ethnic composition, as determined by periodic selection or reselection by the community. "Current" should be defined by the recent or annual demographic changes as documented in the needs/community assessment. This does not preclude extended service of low-income community representatives on boards, but it does suggest that continued board participation of longer term members be revalidated and kept current through some form of democratic process; and

(D) The procedure used to select the low-income representative must be documented to demonstrate that a democratic selection process was used. Among the selection processes that may be utilized, either alone or in combination, are:

(i) Selection and elections, either within neighborhoods or within the community as a whole; at a meeting or conference, to which all neighborhood residents, and especially those who are poor, are openly invited;

(ii) Selection of representatives to a community-wide board by members of neighborhood or sub-area boards who are themselves selected by neighborhood or area residents;

(iii) Selection, on a small area basis (such as a city block); or

(iv) Selection of representatives by existing organizations whose membership is predominately composed of poor persons.

(3) Representatives of Private Groups and Interests:

(A) The private nonprofit entity or public organization shall select the remainder of persons to represent the private sector on the board or it may select private sector organizations from which representatives of the private sector organization would be chosen to serve on the board; and

(B) The individuals and/or organizations representing the private sector shall be selected in such a manner as to assure that the board will benefit from broad community involvement. The board composition for the private sector shall draw from officials or members of business, industry, labor, religious, law enforcement, education, school districts, representatives of education districts and other major groups and interests in the community served.

**§5.214. Board Administrative Requirements.**

(a) Powers of the Board for Private Nonprofit Entities. The board is responsible for abiding by the terms of contracts and shall determine the policies of the agency to assure accountability for public funding. The board shall function as the organization's governing body with the same legal powers and responsibilities as the board of directors of any nonprofit corporation.

(b) Powers of the Board for Public Organizations. The powers, duties, and responsibilities of the board shall be determined by the governing officials of the public organization. The governing officials may establish:

(1) an advisory board, in which case the authority given to the advisory board depends on the powers delegated to it by the governing officials of the political subdivision; or

(2) a governing board, empowering the board of directors with substantive decision-making authority and delegating the powers, duties, and responsibilities to carry out its CSBG-supported contract and functions.

(c) Compensation. Board members are not entitled to compensation for their service on the board. Reimbursement of reasonable and necessary expenses incurred by a board member in carrying out his/her duties is allowed.

(d) Conflict of Interest. No board member may participate in the selection, award, or administration of a subcontract supported by CSBG funds if:

(1) the board member;

(2) any member of his/her immediate family (as defined in the CSBG contract);

(3) the board member's partner; or

(4) any organization which employs or is about to employ any of the above, has a financial interest in the firm or person selected to perform a subcontract. No employee

of the local CSBG subrecipient or of the Texas Department of Housing and Community Affairs may serve on the board.

**§5.215. Board Size.**

(a) Board Service Limitations for Private Nonprofit Entities and Public Organizations Subrecipients boards may establish bylaws which allow for term limits and/or procedures for the removal of board members.

(b) Vacancies/Removal of Board Members.

(1) Vacancies. In no event shall the board allow 25% or more of either the public, private, or poverty sector board positions to remain vacant for more than ninety (90) days. CSBG subrecipients shall report the number of board vacancies by sector in their monthly performance reports. Compliance with the CSBG Act requirements for board membership is a condition for eligible entities to receive CSBG funding. There is no provision in the Act for a waiver or exception to these requirements.

(2) Removal of Board Members/Private Nonprofit Entities. Public officials or their representatives, may be removed from the board either by the board or by the entity that appointed them to serve on the board. Other members of the board may be removed by the board or pursuant to any procedure provided in the private nonprofit's by-laws.

(3) Removal of Board Members/Public Organizations. Board members may be removed from the board by the public organization or by the board if the board is so empowered by the public organization. The board may petition the public organization to remove a board member or the public organization may delegate the power of removal to the board.

**§5.216. Board Responsibility.**

(a) Tripartite boards have a fiduciary responsibility for the overall operation of the private nonprofit entity. Members are expected to carry out their duties as any reasonably prudent person would do.

(b) At a minimum, board members are expected to:

(1) Maintain regular attendance of board and committee meetings;

(2) Develop thorough familiarity with core agency information, such as the agency's bylaws, as appropriate, articles of incorporation, sources of funding, agency goals and programs, federal and state CSBG statutes;

(3) Exercise careful review of materials provided to the board;

(4) Make decisions based on sufficient information;

(5) Ensure that proper fiscal systems and controls, as well as a legal compliance system, are in place; ~~and~~

(6) Maintain knowledge of all major actions taken by the agency~~.~~ ; and

(7) Receive regular reports that includes:

(A) Review and approval of all funding requests (including budgets);

(B) Review of reports on the organization's financial situation;

(C) Regular reports on the progress of goals specified in the performance statement or program proposal;

(D) Regular reports addressing the rate of expenditures as compared to those projected in the budget;

(E) Updated modifications to policies and procedures concerning employee's and fiscal operations; and

(F) Updated information on community conditions that affect the programs and services of the organization.

(c) Individuals that agree to participate on a tripartite governing board, accept the responsibility to assure that the agency they represent continues to: assess and respond to the causes and conditions of poverty in their community, achieve anticipated family and community outcomes, and remains administratively and fiscally sound. Excessive absenteeism of board members compromises the mission and intent of the program.

(d) Residence Requirement:

(1) All board members shall reside within the subrecipient's CSBG service area designated by the CSBG contract. Board members should be selected so as to provide representation for all geographic areas within the designated service area; however, greater representation may be given on the board to areas with greater poverty population. Low-income representatives must reside in the area that they represent; and

(2) Subrecipients may request a waiver of the residency requirement to the Director of the Community Affairs Division for review for consideration and/or approval.

(e) Improperly Constituted Board. If the Department determines that a board of an eligible entity is improperly constituted, the Department shall prescribe the necessary remedial action, a timeline for implementation and possible sanctions which may include: cost reimbursement method of payment; withholding of funds; contract suspension; and termination of funding.

**§5.217. Board Meeting Requirements.**

(a) The Board must follow the Texas Open Meetings Act, meet at least once per calendar quarter and at a minimum five (5) times per year and, must give each member a notice of meeting five (5) days in advance of the meeting.

(b) Open Meetings Training.

(1) Effective January 1, 2006, the 79th Texas Legislature established a state law §551.005 of the Texas Government Code requiring elected and appointed officials to receive training in Texas Open Government laws. The state law is in accordance to Texas Government Code, Title 5, §551.005 and §552.012. This mandate applies to the board of directors for CSBG eligible entities and requires that training is received within ninety (90) days of becoming a board member. As part of this requirement, the Office of the Attorney General has established and made available formal training to ensure government officials have a good command of open records and open meeting laws. To

fulfill this requirement, the Office of the Attorney General offers free training videos which may be requested by accessing their website at www.oag.state.tx.us/opinopen/og_training.shtml or by calling 1-800-252-8011.

(2) Legislation requires open meetings training for public sector local officials; however, the Department recommends this training for all board members. Boards shall ensure that all members serving on the Board of Directors shall receive this training according to the deadlines described in this subsection.

(3) The organization shall maintain a copy of the board training certificate issued to participants upon completion of the training.

TITLE 10. COMMUNITY DEVELOPMENT.
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.
CHAPTER 5. COMMUNITY AFFAIRS PROGRAMS.
SUBCHAPTER C. EMERGENCY SHELTER GRANTS PROGRAM (ESGP).

**§5.301. Background.**

(a) In addition to the following rules for the ESGP, the rules established in Subchapter A of this chapter also apply to the ESGP.

(b) ESGP was established by the Homeless Housing Act of 1986 in response to the growing issue of homelessness in the United States. In 1987, the ESG program was incorporated into Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §§11371 - 11378), now known as the McKinney-Vento Homeless Assistance Act.

(c) ESGP funds are federal funds awarded to the State of Texas by the U.S. Department of Housing and Urban Development (HUD). The Texas Legislature designated the Texas Department of Housing and Community Affairs (the Department) to administer this program pursuant to §2306.094, Texas Government Code. ESGP funds will be made available to eligible applicants to carry out the purpose of the ESGP based on a statewide competitive application process.

**§5.302. Purpose and Goals.**

(a) The ESGP funds are available for:

(1) the rehabilitation or conversion of buildings for use as emergency shelter for the homeless;

(2) the payment of certain operating expenses and essential services in connection with emergency shelters for the homeless; and

(3) homelessness prevention activities.

(b) The program goal is to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness.

(c) The objectives of the ESGP shall be to:

(1) Help improve the quality of emergency shelters for the homeless;

(2) Help meet the costs of operating and maintaining emergency shelters;

(3) Provide essential services so that homeless individuals have access to the assistance they need to improve their situation; and

(4) Provide emergency intervention assistance to prevent homelessness.

**§5.303. Distribution of ESGP Funds.**

(a) All Texas counties fall within one of the 13 uniform state service regions. Funds are reserved for each region in direct proportion to the region's percentage of poverty population according to the decennial U.S. census.

(b) Applications are grouped by service region. Eligible applications compete only against other eligible applications from the same service region, with the highest ranking application being funded first.

(c) The Department will determine the number of applications which can be funded within each region based on the amount of funds available for distribution in each region. ESGP funds reserved for a particular region will be obligated to eligible applicant organizations within that region. If the region does not have enough responsive applications which meet the funding threshold, funds will be redistributed.

(d) Upon approval by the Department's Board of Directors, applicants receiving ESGP funds shall enter into and execute an agreement for the receipt of ESGP funds.

(1) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to the ESGP contract.

(2) The Department reserves the right to deobligate funds.

(3) Faith-based Subrecipients, as with all Subrecipients funded under Housing and Urban Development (HUD)-funded programs, must serve all eligible beneficiaries without regard to religion.

(e) Allocation of Funds. The Department shall administer all federal ESGP funds provided to the state under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §§11371 - 11378), now known as the McKinney-Vento Homeless Assistance Act in accordance with the HUD's final ESG rule, 24 CFR Part 576 and Chapter 2306, Texas Government Code, and the Department annual consolidated plan.

(f) The Department must obligate at least 95% of these funds for ESGP funded applicants.

(g) The Department may retain 5% for administration and may share a portion of its administrative funds with units of general local government (city or county) selected for funding.

(h) The Department will obligate funds within sixty-five (65) days of receiving the award letter from the U.S. Department of Housing and Urban Development.

(i) Redistribution/Reallocation of Unexpended Funds

(1) The Department obligates all ESGP available program funds. The Department may have funds available from a previous grant period or during a current grant period, in cases where:

(A) Subrecipients may have unexpended contract balances at the end of their contract;
(B) Funds may remain unobligated if an applicant fails to provide the necessary documentation to execute a contract;
(C) An applicant fails to meet the requirements of the contract; or
(D) A Subrecipient relinquishes all or part of the award.
(2) The Department will determine the most equitable and beneficial use of unspent program funds. In determining the reallocation or redistribution of funds, the Department will consider current Subrecipient's program performance and expenditure rates and regional need.
(3) In cases where program funds may remain unobligated or unspent from a previous program year, the Department will allocate funds to those current Subrecipients who received funds during the previous program year for which funds remained unexpended. Every attempt will be made to reallocate the funds within the region for which it originally was reserved, however, the Department may allocate funds to another region.
(4) If program funds become available during the contract period, the Department will make every effort to reallocate those funds within the respective region, however, the Department, at its discretion, may reallocate those funds to another region.

**§5.304. Use of Funds.**

(a) Eligible Activities. ESGP funds are designed to address the immediate needs of homeless persons as defined in 42 USC Sec. 11302 to assist their movement to permanent housing:
(1) ESGP funds may be utilized to assist individuals and families who would actually become or remain homeless without ESGP homelessness prevention assistance;
(A) Termination of assistance. Subrecipients may terminate assistance provided by ESGP funded activities to participants who violate program requirements. The termination, however, must allow for the due process of the terminated participant's rights.
(B) If an individual or family who receives assistance under this part from a Subrecipient violates program requirements, the recipient may terminate assistance in accordance with a formal process established by the recipient that recognizes the rights of individuals affected, which may include a hearing.
i. Subrecipient Termination of Participant Services. Grantees and recipients in the ESG program may terminate assistance provided by ESG-funded activities to participants who violate program requirements. The termination, however, must protect the due process of the terminated participant.
ii. Recipients must have in place a procedure that governs the termination and grievance process. These procedures should describe the program requirements and the termination process, as well as the grievance procedure that allows participants to request a hearing regarding the termination of their assistance.
iii. It is important that recipient organizations effectively communicate the termination and grievance procedures to participants and ensure that the procedures are fully understood. For example, the recipient organization staff might verbally explain

the procedures to participants upon entry, intake, or orientation to the ESG-funded program and make the procedures readily available to participants either with written information or by posting the policy in a public place. Posting the policy on a bulletin board in a common area within the facility is an effective way to ensure that the procedures are available for participants to access at any time.

iv. The federal regulation at 24 CFR 576.56 (a) (3) describes the termination provision: "Grantees and recipients may, in accordance with 42 U.S.C. 11375 (e), terminate assistance provided under this part to an individual or family who violates program requirements."

v. The federal statute 42 U.S.C 11375 (e) details termination of assistance: If an individual or family who receives assistance under this part from a recipient violates program requirements, the recipient may terminate assistance in accordance with a formal process established by the recipient that recognizes the rights of individuals affected, which may include a hearing.

(C) The applicant/client grievance procedure may include some of the following elements.

i. Subrecipients shall provide a written denial of assistance notice to applicant/client within ten (10) days of the adverse determination. This notification shall include written instructions of the appeals process and specific reasons for the denial by component. The applicant wishing to appeal a decision must provide written notice to subrecipient within ten (10) days of receipt of the denial notice.

ii. The subrecipient who receives an appeal or client complaint shall establish a hearing committee composed of at least three persons. Subrecipient shall maintain documentation of appeals/complaints in their client files.

iii. The subrecipient shall hold the hearing within ten business days after the subrecipient received the appeal/complaint request from the applicant/client.

iv. The subrecipient shall record the hearing.

v. The hearing shall allow time for a statement by subrecipient staff with knowledge of the case.

vi. The hearing shall allow the applicant/client at least equal time, if requested, to present relevant information contesting the decision.

vii. Subrecipient shall notify applicant/client of the decision in writing. The subrecipient shall mail the notification by close of business on the business day following the decision (1 day turn-around).

viii. If the applicant/client is not satisfied, they may further appeal the decision in writing to the Department within ten (10) days of notification of an adverse decision.

ix. The Department may review the recording of the hearing, the committee's decision, and any other relevant information necessary.

x. The Department appeals committee shall decide the case and forward their recommendation to the Division Director for final concurrence.

xi. The Department will notify all parties in writing of its decision within thirty (30) days of receipt of the appeal.

(2) ESGP funds cannot be utilized to care for or assist children in state custody; and

(3) The Department encourages that applications include an innovative approach to providing emergency shelter and/or transitional housing to homeless individuals and families. Transitional housing projects should be designed to provide housing and

appropriate essential services to homeless persons in order to facilitate the movement of individuals or families to permanent housing within no more than 24 months. ESGP grant amounts may be used for one or more of the following activities in subsections (b) - (f) of this section:

(b) Operation administration may not exceed more than 10% of an applicant's ESGP budget (42 U.S.C. §11374(a)(3)) and may be requested for administrative salaries (including fringe benefits).

(1) Appropriate staff which may be charged as administrative staff are the executive director, program director, supervisors, administrative support staff, etc.

(2) Job descriptions for these positions are not required to be included in the ESGP application.

(c) Essential Services. ESGP legislation limits essential services to 30% of the total state allocation (24 CFR §576.3 and 42 U.S.C. §11374(a)(2)(b)).

(1) Essential services activities address the immediate needs of homeless individuals and enable homeless persons to become more independent and/or to secure permanent housing. Assistance provided under ESGP may be used for the provision of ~~E~~essential services ~~may~~ includ~~e~~ing, ~~direct client~~ services concerned with employment, health, drug abuse prevention, and education, including but not limited to:

(A) assistance in obtaining permanent housing; medical health treatment ~~and psychological counseling and supervision~~; mental health treatment, counseling supervision, and other services essential for achieving independent living; ~~employment counseling, job placement, and job training (including tuition and books)~~;

(B) ~~nutritional counseling and~~ nutrition assistance, including the salary of food preparers (cooks);

~~(C) substance abuse treatment and counseling;~~

~~(D)~~ (C) assistance in obtaining other federal, state, and local assistance including mental health benefits, medical assistance, veteran's benefits, and income support assistance such as Supplemental Security Income, Temporary Assistance for Needy Families, and Food Stamps;

~~(E)~~ (D) other services, ~~such as~~ childcare, food vouchers, client clothing, or medical assistance (doctor visits, prescriptions, eye glasses or other prostheses, etc.);

~~(F)~~ (E) transportation costs essential for achieving independent living including costs directly associated with ESGP service delivery, such as bus tokens, bus fare, cab fare, airfare, salary of van driver, etc.; and

~~(G)~~ (F) salary for staff whose sole duty is to work directly with clients to provide the above services.

(2) Staff salaries may include wages and fringe benefits; however, no administrative or supervisory salaries may be paid with essential services funds.

(3) ESGP funds may be used to provide essential services, if the agency received local funds (locally generated tax revenue) from a unit of local government in the past 12 months, only if the ESGP application includes a request for funds to provide essential services for a new service (24 CFR §576.21(b)).

(d) Maintenance, operation, and furnishings. ESGP funds may be used for maintenance, operation, furnishings, and equipment costs (24 CFR §576.21(3)).

(1) Maintenance costs include contract services for copier or security system maintenance, pest control, lawn care, contracted janitorial service, etc.

(2) Operation costs include administration, equipment, furnishings, facility rent, utilities, internet service, and telephone; building maintenance and non-deferred repairs; food for shelter residents; vehicle maintenance, registration, repairs, security of facility and fuel; building or equipment insurance; fidelity bond coverage; office and maintenance supplies; single audit expenses (if required), staff mileage reimbursement (for travel relating to ESGP service delivery), and pre-award travel expenses (for successful applicants to attend an orientation workshop).

(A) Non-deferred repairs are items that break during the contract period, such as:

(i) repairing a window that is broken;

(ii) repairs due to water damage;

(iii) repairing a broken furnace; or

(iv) repairing an air conditioning unit.

(B) Deferred repairs, classified as rehabilitation activities, are items which are inoperable or broken and in need of replacement prior to the application period.

(C) Equipment may include computers, printers, software, refrigerator, stove, tools, vehicles, etc. All equipment with a useful life of more than one year and an acquisition cost of $500 or more must be included in a cumulative inventory report submitted to the Department each contract year. (Refer to Subchapter A, General Provisions §5.8 of this chapter (relating to Inventory Report).

(D) Subrecipients who participate in a local continuum of care may use ESGP funds to facilitate the required Homeless Management Information System (HMIS) which may include the purchase of software and/or annual access fees to facilitate data collection and reporting of client-level information.

(3) Furnishings may include beds, mattresses, linens, desks, tables, chairs, etc.

(e) Homelessness Prevention. ESGP legislation limits homelessness prevention to 30% of the total state allocation (42 U.S.C. §11374(a)).

(1) Homelessness prevention funds may be used to provide direct monetary assistance on behalf of individuals whose annual income is at or below the federal poverty guideline when the conditions referenced in 24 CFR §576.3 are met.

(A) The individual or family is unable to make the required payments due to a sudden reduction in income or a sudden increase in expenses, i.e. sudden reduction in income may result from an event that occurs no more than ninety (90) days prior to the date of application for ESGP services. Documentation should support the risk of becoming homeless such as an eviction notice or termination of utility service notice;

(B) The assistance is necessary to avoid the foreclosure, eviction, or termination of utility services (excluding telephone service); utility and rent deposit refunds from vendors must be reimbursed to the Subrecipient and not the client. Funds should be treated as program income;

(C) There is reasonable prospect that the individual or family will be able to resume the payments within a reasonable period of time (determined by the applicant organization and used consistently among all clients); and

(D) The assistance does not replace funding for pre-existing homelessness prevention activities from any other sources.

(2) Homelessness prevention funds must be used to assist those individuals and families that would actually become or remain homeless without ESGP homelessness prevention assistance (24 CFR §576.3) and include:

(A) Short-term subsidies to help defray rent and utility arrearages for families that have received a notice of eviction, termination of utility services, or payments to prevent the transfers;

(B) Security deposits or first month's rent to enable a homeless family (or individuals in emergency/transitional housing) to acquire permanent housing;

(C) Programs to provide mediation for landlord/tenant disputes;

(D) Programs to provide legal services for the representation of indigent tenants in eviction proceedings;

(E) Payments to prevent foreclosure on a home; and

(F) Other innovative programs and activities designed to prevent the incidence of homelessness.

(3) Subrecipients are required to use the ESGP homelessness prevention application to determine the eligibility of individuals and families applying for ESGP homelessness prevention assistance or utilize another application which obtains the same data. ~~(Refer to the Department's website, www.tdhca.state.tx.us, for the homelessness prevention application.)~~

(f) Rehabilitation. Rehabilitation is defined as the labor, materials, tools, and other costs of improving buildings.

(1) Examples of allowable rehabilitation projects include, but are not limited to:

(A) accumulated deferred maintenance (replacing flooring);

(B) replacement of principle fixtures and components;

(C) improvements to increase energy efficiency (replacing a furnace or air conditioning unit); and

(D) structural changes necessary to make the facility accessible for persons with physical disabilities.

(2) Rehabilitation projects include deferred repairs for items that are inoperable or broken and in need of replacement prior to the submission of the ESGP application. Rehabilitation does not include non-deferred repairs.

(3) All rehabilitation activity funded through ESGP must occur within the existing structure, must not increase the square footage of the structure involved, and must comply with local government safety and sanitation requirements. (Refer to §504 of the Rehabilitation Act of 1973, as amended, as provided in 24 CFR §8.23(a) or (b)). Types of rehabilitation projects include conversion, major rehabilitation and renovation (24 CFR §576.3).

(g) Subrecipients expending ESGP funds for essential services must have procedures established to ensure ESGP funds are being expended for ESGP eligible clients meeting the definition of homeless as per 42 USC Sec. 11302. In cases where multiple sources of funds, including ESGP, provide services, Subrecipients must establish procedures to ensure that the ESGP proportionate share of funds expended are benefiting ESGP eligible clients. Documentation verifying program eligibility for clients served with ESGP's proportionate share of the funds expended should be maintained.

**§5.305. Limitations on Use of Funds.**
ESGP funds cannot be utilized for conversion, rehabilitation, renovation, or operation of permanent housing; acquisition of real property; new construction; addition of square footage, property clearance or demolition; direct payments to individuals; to support inherently religious activities such as worship, religious instruction, or proselytization; or to rehabilitate or repair buildings such as sanctuaries, chapels, and other rooms that a congregation uses as its principal place of worship.

**§5.306. Eligible Entities.**
(a) Eligible applicants are units of general local government (excluding Councils of Government) and private nonprofit organizations (24 CFR §576.1 of the ESGP Act).

(b) The Department will accept collaborative applications. To be considered as a collaborative, the application must include two or more organizations that will use ESGP funds to provide services to the target population as part of a local continuum of care.

(c) If a unit of general local government applies for only one organization, this will not be considered a collaborative application.

**§5.307. Application Requirements.**
(a) Eligibility Documentation. The following information must be included in each ESGP application. Failure to provide this documentation will deem the application ineligible for funding.
(1) Participation of a homeless or formerly homeless individual on the board of directors or other equivalent policymaking entity of such recipient (42 U.S.C. §11375(d)). Applicants who have not previously received ESGP funds from the Department are exempt from the requirement, but must comply with the requirement prior to execution of a contract with the Department.
(2) Documentation as a §501(c) tax-exempt entity for all private nonprofit organizations.
(3) Local government approval from the city or county in which the project is located.

(b) Fiscal Accountability.
(1) Single Audit: An organization that spends more than $500,000 in federal funds during its fiscal year must have a single audit conducted for that year (A-133 Subpart B.200). ESGP Subrecipients are responsible for submitting their single audit report within thirty (30) days of completion of their audit and no later than nine (9) months after the end of the audit period (fiscal year end) to the Department's Portfolio Management and Compliance Division, as well as to the Community Services Section of the Community Affairs Division. Refer to 31 U.S.C. §7502.

(2) Organizations that do not exceed the $500,000 federal fund expenditure threshold are exempt from the single audit requirements. If an organization is not required to have a single audit performed, the ESGP application must include the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow). All collaborative applications from non-profits must submit financial documentation for each organization in a collaborative.

(c) Match Requirements.

(1) ESGP Subrecipients must match their award amount with an equal or greater amount of resources other than ESGP funds. (42 U.S.C. §11375(a)) (OMB Circular A-110 Subpart C_.23) Matching funds used for an ESGP project may not be used to match any other project or grant.

(2) Match resources will adhere to the requirements of OMB Circular A-110 _.23 and/or UGMS_.24 including:

(A) Donated Supplies: Donated goods such as clothing, furniture, equipment, etc.

(B) Cash Donations or Grants: Private donations or grants from foundations, nonprofits, or local, state, and federal sources.

(C) Value of Donated Building: The fair market value of a donated building in the year that it is donated. The building must be proposed for ESGP-related activities and currently must not be in use for these activities.

(D) Rent or Lease Value of a Building: Rent paid or would be paid for space currently used to provide services to the homeless.

(E) Salaries: Any staff salary paid with general operating funds or certain grant funds including but not limited to CSBG, Community Development Block Grant (CDBG), United Way, and Victims of Crime Act (VOCA). The position(s) used as match must be involved in ESGP-related activities and the hours utilized for match must be for hours worked for ESGP related activities.

(F) Volunteers: Time and services contributed by volunteers, with a value not to exceed federal regulations.

(d) Environmental Review Requirements for Rehabilitation Projects.

(1) The following federal regulations concerning environmental review are applicable to rehabilitation projects:

(A) 24 CFR Part 58

(B) 24 CFR §576.57(e) (Release of Funds)

(C) 24 CFR Part 35 (Lead Based Paint Hazard Reduction)

(2) All ESGP applications including a request for rehabilitation funds must include a Preliminary Environmental Review Checklist. For ESGP funds distributed by the state to units of general local government, the unit of general local government must assume the environmental responsibilities, and the state will be responsible for providing a release of funds in accordance with the requirements of 24 CFR Part 58.

(3) For funds distributed by the state to nonprofit organizations, the State must assume the environmental responsibilities, and Housing and Urban Development (HUD) will provide the release of funds in this instance.

(4) The Department may accept a previous environmental review if:

(A) the environmental review is not more than five (5) years old and no structural changes have occurred at the previously approved location;

(B) the certifying entity (local authority) provides documentation that no environmentally significant changes have occurred at the approved location since the review was done; and

(C) a copy of the environmental review is submitted as part of the ESGP application.

**§5.308. Application Awards.**

(a) Award Amounts:

(1) The annual application packet will specify the minimum and maximum for ESG program awards. As required in 24 CFR, Subpart C, §576.35, applicants will be notified of the Department's recommendation for funding; and

(2) Award limitations are based on the amount of ESGP funds estimated to be available to each region and the ESGP funding pattern utilized by the Department.

(b) Funded Projects:

(1) All projects should be planned for a maximum of twelve (12) months;

(2) Per HUD requirements, the Department will share a portion of the state's administrative funds with units of general local government (cities or counties) selected for ESGP funding. The amount shared will not exceed 4% of the Subrecipient's ESGP award; and

(3) The Department reserves the right to negotiate the final grant amounts and local match with successful applicants. The Department may consider the amount of Housing and Urban Development (HUD) funds awarded to entitlement entities when making funding decisions to applicants that are a unit of general local government. This consideration does not apply to private nonprofit organizations located in ESGP entitlement cities or counties.

**§5.309. Application Process.**

(a) The Department will publish the ESGP application annually on the Department's website, www.tdhca.state.tx.us. The Department will also provide written notice to organizations regarding the ESGP application.

(b) To be considered for funding, an applicant must submit a completed application in accordance with application instructions issued annually in the ESGP Application notice.

**§5.310. Application Review Process.**

(a) Applications may be deemed ineligible for lack of response to Department ESGP monitoring report(s) and compliance and audit issues identified by the Department.

(b) Applicants not recommended for funding will be notified in writing no later than thirty (30) days from the date that the Department obligates funds.

(c) Applications recommended for funding will be presented to the board or its designee for approval, pending the availability of ESGP funds.

(d) Applicants not selected to receive ESGP funds may request a review of their application no later than thirty (30) days after the date of the written funding notification from the Department. ~~as per §1.7 of this title (relating to Staff Appeals Process).~~

**§5.311. Reports.**
(a) The ESGP contract requires Subrecipients to submit the Monthly Expenditure Report and Monthly Performance Report no later than the fifteenth (15th) day of the month after each month of the contract period.

(b) Even if a fund reimbursement is not being requested, an Expenditure Report must be submitted electronically no later than the fifteenth (15th) day of each month of the grant period. A final Expenditure Report must be submitted within sixty (60) days after the ESGP contract ends.

(c) A user name and password are needed to access the reporting system to submit monthly reports. The "Community Affairs Contract User Guide System" may be accessed through the TDHCA website, www.tdhca.state.tx.us, under "Interactive" "Contractor Tools".

**COMMUNITY AFFAIRS DIVISION**

**BOARD ACTION REQUEST**

**November 10, 2010**

Presentation, Discussion, and Possible Action regarding approval for publication in the *Texas Register* a final order adopting Amendments to 10 TAC Chapter 5 Subchapters A, E and I.

## RECOMMENDED ACTION

Approve for publication in the *Texas Register* a final order adopting amendments to 10 TAC Chapter 5, Subchapters A, E, and I, regulations related to Community Affairs Programs:

Subchapter A. §5.16(6), General Provisions, without changes made to the text as published in the August 13, 2010 issue of the *Texas Register*

Subchapter E. §5.516, Weatherization Assistance Program General, without changes made to the text as published in the August 13, 2010 issue of the *Texas Register*

Subchapter E. §5.529, with changes to the text as published in the August 13, 2010 issue of the *Texas Register*

Subchapter I. §§5.900 – 5.901 and 5.903 Weatherization Assistance Program Department of Energy American Recovery and Reinvestment Act (WAP ARRA) with changes to the text as published in the August 13, 2010 issue of the *Texas Register*,

> **RESOLVED**, that the final order adopting amendments to 10 TAC Chapter 5, Subchapters A, E, and I, regulations related to Community Affairs Programs, is hereby ordered and it is approved, together with the preamble presented to this meeting, for publishing in the *Texas Register*.
>
> **FURTHER RESOLVED,** that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments to 10 TAC Chapter 5, Subchapters A, E, and I, regulations related to Community Affairs Programs, in the form presented to this meeting, to be published in the *Texas Register* for final adoption, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of subchapter specific preambles.

## **Background**

Staff is recommending through these rules that specified Community Affairs program rules proposed amendments be adopted. The final rules incorporate public comment received, program changes, preexisting guidance and state and federal statutory requirements.

The Board approved the proposed amendments at the July 29 meeting to be published in order to receive public comment. In keeping with the requirements of the Administrative Procedures Act, staff has reviewed all comments received and provided a reasoned response to each comment received.

**Attachment A: Preamble, Reasoned Response, and Rule**

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Subchapter A, §5.16, regulations related to Community Affairs Programs, without change to the text as published in the August 13, 2010 issue of the *Texas Register* (35 TexReg 6877) and will not be republished.

For the Weatherization Assistance Program, the changes clarify the requirement that the Department prepare and submit monitoring reports to Subrecipients within 30 days of the end of the monitoring review, and that Subrecipient responses to monitoring reports be prepared and submitted to the Department within thirty (30) calendar days from the date of the report.

Public comments were accepted through September 13, 2010. No comments were received regarding Subchapter A, §5.16

The Board approved the final order adopting the new section on November 10, 2010.

The amendments are adopted pursuant to the authority §2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs

*§5.16.Monitoring of Subrecipients.*
(a) The Department's Community Affairs Division (CAD) is responsible for ensuring that the Community Services Block Grant (CSBG), Comprehensive Energy Assistance Program (CEAP), Weatherization Assistance Program (WAP), and Emergency Shelter Grant Program (ESGP) program activities are completed and that the funds are expended in accordance with the contract provisions and applicable State and Federal rules, regulations, policies, and related statutes. In order to ensure such, the Department will conduct monitoring reviews of the subrecipients to evaluate the effectiveness of subrecipient's performance and program compliance through on-site and desk monitoring as described in §5.15 of this chapter (relating to Federal Funding Accountability and Transparency Act (FFATA)) following the requirements of §678B of PL 105-285 Subtitle B, §2605(B)(10) of PL 97-35, as amended, 10 CFR §440.23(d), and 24 CFR §576.61 and §576.57(f) and (g), respectively.

(1) CAD employs a subrecipient monitoring procedure that is based upon an assessment of associated risks. The factors may include but are not limited to the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, number and funding amount of Department funded contracts, final expenditure rate, and single audit status or other factors. Ranking of subrecipients will determine whether an on-site review or a desk review is completed unless Department management determines an on-site review is needed.

(2) CAD may conduct unannounced on-site monitoring reviews of subrecipients identified as at risk for contract termination, if deficiencies identified from prior monitoring activities persist or remain unresolved for an unreasonable period of time. In the event of reports of fraud and abuse

or other extenuating circumstances the Department may make an unannounced on-site monitoring review.

(3) Follow-up reviews may be performed to ensure implementation of corrective action of subrecipients that failed to meet the goals, standards, and requirements established by the Department.

(4) Technical assistance and training will be provided to the subrecipient to address program deficiencies.

(5) A monitoring instrument is used to perform monitoring reviews. Support documentation is retained by the Department to verify: the achievement of performance goals; conduct of eligible activities; and compliance with other contractual regulatory provisions and financial accountability. Monitoring reviews of subrecipients also include reviewing annual financial reports and any related management letters and financial documents.

(6) Following the onsite monitoring review, a monitoring report is prepared and submitted to the subrecipients outlining any administrative, program, and financial deficiencies. The monitoring report also includes notes, recommended improvements, corrective actions or a corrective action plan. Subrecipients must respond to the monitoring report within forty-five (45) calendar days from the date of the monitoring report except for WAP subrecipients whom must respond within thirty (30) calendar days.

(A) Finding--The written description of a deficient condition which is significantly substandard according to the monitoring standards. Findings may also be deficiencies found with regard to compliance with program rules, required cost principles, federal, state and/or local laws, and generally accepted accounting procedures or Generally Accepted Accounting Principles. In general, findings require corrective action to create an acceptable level of risk for disbursement of funds. The description of a finding might include the cause and effect of the deficient condition.

(B) Recommended Improvement--Suggested best practice(s) to enhance program, operational, financial, or administrative practices.

(C) Note--An explanatory tool to further describe and clarify findings or recommended improvements. A note may also be used to include additional information related to the monitoring review but not related to a finding or recommended improvement.

(7) Subrecipients are required to have at a minimum the following documents available, and any other requested documents, for the monitoring review:

(A) Roster of staff (name, title, salary and status)--All Community Affairs programs;

(B) Current agency organization chart;

(C) List of Board of Directors to include: names, addresses and telephone numbers, tenure on the board, section represented by the board member, list of committees--CSBG and ESGP;

(D) Board election/selection materials--CSBG;

(E) Board minutes (previous six meetings) and attendance roster--CSBG and ESGP;

(F) List of neighborhood centers with names of staff--CSBG and CEAP;

(G) Personnel policies;

(H) Bylaws--CSBG and ESGP;

(I) Travel policies and records;

(J) Chart of accounts;

(K) Accounting records (journals/ledgers) and support documentation;

(L) Amount of Cash on Hand (at time of monitoring);

(M) Bank reconciliation records;

(N) Agency's proof of fidelity bond coverage;

(O) Documentation of match requirements--ESGP;

(P) Closeout data for prior program year--CEAP and WAP;

(Q) Access to client files and documentation of performance--All Community Affairs programs;

(R) Declaration of Income Statement (DIS) Policy/Procedure--All Community Affairs programs;

(S) Appeals Procedures--CEAP and WAP;

(T) Subcontract agreements with appropriate procurement packages (if applicable)--All Community Affairs programs;

(U) Procurement policy;

(V) Documentation of current contract inventory--All Community Affairs programs;

(W) Documentation of coordination with other local programs (including contact person and phone numbers)--CSBG;

(X) Copies of most recent monitoring reports and/or performance reviews of all programs administered by the organization;

(Y) Copy of the most recent Single Audit Report--Organizations that expend more than $500,000 in federal funds during a fiscal year must have a single audit conducted for that year (A-133 Subpart B.200). Organizations that do not exceed the $500,000 federal fund expenditure threshold are exempt from the single audit requirements. If an organization is not required to have a single audit performed, the organization must provide the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow); and

(Z) If applicable, documentation of the most recent Head Start Onsite Monitoring Document review, including results, responses, and current status--CSBG.

(b) Subrecipients not exempt from the single audit requirements are responsible for submitting their Single Audit Report within thirty (30) days of completion of their audit and no later than nine (9) months after the end of the audit period (fiscal year end) to the Department's Portfolio Management and Compliance Division as well as to the CA Division. Refer to 31 U.S.C. §7502.

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Subchapter E, §§5.516 and 5.529, regulations related to Community Affairs Programs. Section 5.529 is adopted with changes to the proposal as published in the *Texas Register* on August 13, 2010 (35 TexReg 6878). Section 5.516 is adopted without change and will not be republished.

For the Weatherization Assistance Program, the changes clarify the requirement that the Department prepare and submit monitoring reports to Subrecipients within 30 days of the end of the monitoring review, and that Subrecipient responses to monitoring reports be prepared and submitted to the Department within thirty (30) calendar days from the date of the report; and adds a requirement that a whole house assessment be performed on all eligible housing units.

Public comments were accepted through September 13, 2010, with comments received from (1) Ms. Stella Rodriguez, Executive Director, Texas Association of Community Action Agencies. Staff has reviewed the comments and has provided reasoned responses.

**Reasoned Response to Public Comment on the Proposed Amendments to 10 TAC Chapter 5, Subchapter E, §5.529, Community Affairs Rules**

The Texas Department of Housing and Community Affairs (the "Department") received comments to the proposed amendments in writing by email. The Department's response to all comments received is included in this attachment. The comments and responses include both administrative clarifications and corrections to the amendments recommended by staff and substantive comments on the amendments and the corresponding Departmental responses. Comments and responses are presented in the order they appear in the rules.

**Subchapter E, §5.529 - Whole House Assessment (1)**

**COMMENT SUMMARY:** Commenter recommended language changes to the proposed amendment as presented to the Board in July:
(a) Commenter suggested that all electric multifamily units be exempted from the whole house assessment requirement.
(5) – (15) Commenter suggested language to clarify requirements.

(b) Commenter suggested language to clarify requirement.

**STAFF RESPONSE:** Staff believes that a whole house assessment must be completed for all eligible units and does not recommend that all electric multifamily units should be exempt from this requirement. The whole house assessment gives the Subrecipient all the information they need to determine if the Priority List or an Energy Audit is the most appropriate tool for determining needed weatherization measures. Staff agrees that some of the requirements listed in Items (1)-(15) below may not be required for units that do not include combustion appliances and has made exceptions where applicable. Staff recommends the following language for this section based on administrative clarifications and the comments received, with the following notes:

(a) As an administrative clarification, language added to explain need for whole house assessment for each eligible unit;

(5) Staff has no objection to the clarification

(6) Separated requirements for combustion systems;

(7) Staff has no objection to the clarification

(8) Staff has no objection to the clarification

(9) Separated requirements for combustion water heaters; requirement for complete fuel analysis kept as this is an important test for combustion appliances

(10) Staff has no objection to the clarification

(11) “Estimated” added to be consistent with (12) which also discusses base load measures;

(12) Staff has no objection to the clarification

(13) Separated requirements for units with combustion appliances; added carbon monoxide detectors; rejected “observations a Subrecipient deems worth noting,” as staff believes that any Health and Safety hazard observed by the Subrecipient should be noted without regard to whether the Subrecipient deems the health and safety observation worth noting.

(14) Staff has no objection to the clarification

(15) Rejected “if allowable by the program,” as this is true for all weatherization measures.

(b) As an administrative clarification, language added to clarify requirements for Energy Audit and Priority List.

The Board approved the final order adopting the amendments on November 10, 2010.

The amendments are adopted pursuant to the authority §2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs

*§5.516.Monitoring of WAP Subrecipients.*

Following the onsite WAP monitoring review, a monitoring report is prepared and submitted to the subrecipients within thirty (30) days outlining any administrative, program, and financial deficiencies. The monitoring report also includes notes, recommended improvements, corrective actions or a corrective action plan. Subrecipients must respond to the monitoring report within thirty (30) calendar days from the date of the monitoring report. Additional monitoring requirements followed by the Department are listed in §5.16 of this chapter (relating to Monitoring of Subrecipients).

*§5.529.Whole House Assessment.*

(a) Subrecipients must conduct a whole house assessment on all eligible units. Whole house assessments must be used to determine whether the Priority List or an energy Audit is most appropriate for the unit. Whole house assessments must include but are not limited to the following items:

(1) Wall--Condition, type, orientation and existing R-values;

(2) Windows--Condition, type material, glazing type, leakiness and solar screens;

(3) Doors--Condition, type;

(4) Attic--Type, condition, existing R-values and ventilation;

(5) Foundation--Condition, existing R-values and floor height above ground level;

(6) Heating System--for all systems: unit type, fuel source (primary or secondary), thermostat, and output; for combustion systems only: vented or unvented efficiency, CO-levels, complete fuel gas analysis, gas leaks, and combustion venting;

(7) Cooling System--unit type, condition, area cooled, size in BTU rating, Seasonal Energy Efficiency Rating (SEER) or Energy Efficiency Rating (EER), manufacture date and thermostat;

(8) Duct System--condition, existing insulation level, evaluation of registers, return air register size, and condition of plenum joints;

(9) Water Heater--for all water heaters: condition, fuel type, energy factor, recovery efficiency, input & output ratings, size, existing insulation levels, existing pipe insulation; for combustion water heaters only: carbon monoxide levels, draft test, complete fuel gas analysis;

(10) Refrigerator--condition, manufacturer, manufacture date and make, model, and consumption reading (minutes and meter reading); client refusal must be documented.

(11) Lighting System--quantity, watts, and estimated hours used per day;

(12) Water Savers--number of showerheads, estimated gallons per minute and estimated minutes used per day;

(13) Health & Safety--for all units: smoke detectors, wiring, minimum air exchange, moisture problems, lead paint present, asbestos siding present, condition of chimney, plumbing problems, mold; for units with combustion appliances: unvented space heaters, carbon monoxide levels on all combustion appliances, carbon monoxide detectors;

(14) Air Infiltration--to be determined from Blower Door testing; areas requiring air sealing will be noted.

(15) Repairs--measures needed to preserve or protect installed weatherization measures may include lumber, shingles, flashing, siding, masonry supplies, minor window repair, gutters, downspouts, paint, stains, sealants, and underpinning.

(b) If using the Energy Audit, all allowable weatherization measures needed must be entered. Measures will be performed in order of highest SIR to lowest depending on funds available. If using the Priority List, included weatherization measures must be addressed in the order they appear on the list, or an explanation for excluding a measure must be provided.

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Subchapter I, §§5.900 - 5.901 and 5.903, regulations related to Community Affairs Programs. Sections 5.901 and 5.903 are adopted with change to the text as published in the *Texas Register* on August 13, 2010 (35 TexReg 6879). Section 5.900 is adopted without change and will not be republished.

For the Weatherization Assistance Program, the changes clarify the definitions of "Awarded Funds", "Production Schedule", and "Unit Production"; adds a definition of "Plan"; clarifies the contents of the Mitigation Action Plan; and adds criteria outlining when a Notification of Possible Deobligation is not required to be sent to a Subrecipient.

Public comments were accepted through September 13, 2010, with comments received from Mr. W. Laurence Doxsey, Director of the Office on Environmental Policy for the City of San Antonio. Staff has reviewed the comments and has provided reasoned responses.

**Reasoned Response to Public Comment on the Proposed Amendments to 10 TAC Chapter 5, Subchapter I, §§5.900 – 5.901 and §5.903, Community Affairs Rules**

The Texas Department of Housing and Community Affairs (the "Department") received comments to the proposed amendments in writing by email. This document provides the Department's response to all comments received. The comments and responses include both administrative clarifications and corrections to the amendments recommended by staff and substantive comments on the amendments and the corresponding Departmental responses. Comments and responses are presented in the order they appear in the rules.

**Subchapter I, §5.901.Definitions (k) Unit Production. (2)**

**Comment Summary:** Commenter requested that the definition include language that clarifies which invoices will be entered in to the system and considered when determining unit production goals.

**Staff Response:** Staff agreed with commenter and made the requested clarification in paragraph (k).

**§5.903.Notification and Action Plan**

**Comment Summary:** Comments regarding the added section (m) consisted of a request that TDHCA provide clarification on which facet of the Production Schedule will be considered cumulative benchmark under this new provision, and provide clarification in the rule language on whether the Subrecipient's monthly forecasts or the TDHCA benchmarks (e.g. 40% expenditures and production by October 2010) will be considered as the "Production Schedule," and recommended the following language to clarify the rule:

**Staff Response:** Staff agreed with commenter and made the requested clarification in paragraph (m) (1)-(3). To avoid the use of the terms "house dollars" and "non-house dollars", which are not defined in this rule, staff refers to expenditures with no differentiation.

The Board approved the final order adopting the new section on November 10, 2010.

The amendments are adopted pursuant to the authority §2306 of the Texas Government Code, which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

*§5.900.Deobligation and Reobligation of Funds for Department of Energy Weatherization Assistance Program under the American Recovery and Reinvestment Act.*
Under the American Recovery and Reinvestment Act of 2009 (ARRA), the Texas Department of Housing and Community Affairs (the "Department") is receiving funding from the U.S. Department of Energy for the Weatherization Assistance Program (WAP). The Department is adopting rules to establish the processes and criteria to be used for the Deobligation of WAP ARRA funds committed to a Subrecipient pursuant to the Department's required plan submitted to and approved by the U.S. Department of Energy, together with all amendments thereto, and the subsequent Reobligation of those funds. These sections will also apply to any New Providers of WAP ARRA Funds. The Department is adopting these sections in order to assure the timely and appropriate use of WAP ARRA funds; compliance with federal accountability, transparency, and programmatic requirements; and that WAP ARRA funds are expended by required deadlines. Unless otherwise specified herein, all definitions and requirements under 10 TAC Chapter 5, Subchapters E, F and G of this chapter apply to WAP ARRA.

*§5.901.Definitions.*
(a) Awarded Funds--The amount of WAP ARRA funds awarded by the Department in accordance with the Weatherization Assistance Program under the American Recovery and Reinvestment Act (WAP ARRA) Plan (the "Plan") to Subrecipients or New Providers of WAP ARRA funds. The amount of funds awarded reflects the full multi-year amount of WAP ARRA funds awarded to the Subrecipient or New Provider and not only the amount reflected in a contract.

(b) Deobligation--The partial or full removal of Awarded Funds from a Subrecipient or New Provider. Partial Deobligation is the removal of some portion of the full Awarded Funds from a Subrecipient or New Provider, leaving some remaining balance of Awarded Funds to be administered by the Subrecipient or New Provider. Full Deobligation is the removal of the full amount of Awarded Funds from a Subrecipient or New Provider.
(c) Department--The Texas Department of Housing and Community Affairs.

(d) Executive Director--The Executive Director of the Texas Department of Housing and Community Affairs.

(e) Expenditure--Funds having been drawn from the Department through the Contract System. For purposes of this rule, expenditure will include draws requested through the system.

(f) New Provider--An entity to which the Department has contractually obligated WAP ARRA funds subsequent to March 12, 2010.

(g) Plan--The Department's required plan for the administration of WAP ARRA submitted to and approved by the U.S. Department of Energy, together with all approved amendments thereto from time to time in effect.

(h) Production Schedule--A Production schedule signed by the applicable Executive Director/Chief Executive Officer of the Subrecipient or New Provider, approved by the Department, and meeting the requirements of this definition. The Production Schedule shall include a total estimated number of units to be completed with all Awarded Funds, based on the average per unit cost for the Subrecipient or New Provider; the estimated monthly and quarterly unit production; and the estimated monthly and quarterly expenditure targets for all Awarded Funds reflecting achievement of the criteria identified in §5.902 of this chapter (relating to Criteria for Deobligation of Fund Award). The Production Schedule should reflect delays that should reasonably be anticipated, and unit production estimates may vary significantly from month to month. The Production Schedule shall reflect by month estimated numbers for the total units to be produced. The Production Schedule is a requirement applicable to all WAP ARRA contracts administered by the Subrecipient or New Provider. The Production Schedule must demonstrate how all Awarded Funds will be expended by required ARRA deadlines. The Production Schedule as defined herein may differ significantly from the WAP ARRA plan production schedule submitted by the Department to the U.S. Department of Energy. In the case of any such conflict, the applicable Subrecipient or New Provider is required to comply with the Production Schedule.

(i) Reobligation--The reallocation of deobligated WAP ARRA funds to current Subrecipients and/or New Providers.

(j) Subrecipient--An entity to which the Department contractually obligated WAP ARRA funds prior to March 12, 2010. Subrecipients may have one or more contracts for WAP ARRA funds and reference to Subrecipient herein may include only one, some, or all of those contracts.

(k) Unit Production--A unit is considered "produced" for purposes of this rule when the unit is considered a final unit and the post-weatherization inspection and all other requirements have been satisfied. Subrecipients are required to maintain a financial system that provides reconciliation between the general ledger and the monthly report submitted to the Department as part of the required financial system, subrecipients are required to maintain documentation to support that they have made timely payment of invoices or related liabilities within 45 days from the end of the corresponding report period; a unit is not considered produced until all invoices directly associated with weatherization measures in the unit are entered into that system.

(l) WAP ARRA--The allocation of funds provided to the Department from the American Recovery Reinvestment Act of 2009 for the Department of Energy Weatherization Assistance Program.

*§5.903.Notification and Action Plan.*
(a) At any time that a Subrecipient or New Provider believes they may be at risk of meeting one of the criteria noted in §5.902 of this chapter (relating to Criteria for Deobligation of Fund

Award), or of not achieving their Production Schedule goals, notification must be provided to the Department unless excepted under subsection (m) of this section.
(b) A written "Notification of Possible Deobligation" will be sent to the Executive Director of the Subrecipient or New Provider as soon as a criterion included in §5.902 of this chapter is at risk of being met. Written notice will be sent electronically and by mail. The notice will include an explanation of the criteria met.

(c) Within fifteen (15) days of the date of the "Notification of Possible Deobligation" referenced in subsection (b) of this section, a Mitigation Action Plan must be submitted to the Department by the Subrecipient or New Provider in the format prescribed by the Department unless excepted under subsection (m) of this section.

(d) A Mitigation Action Plan is not limited to but must include:
(1) Explanation of why one or more of the criteria under §5.902 of this chapter occurred setting out all fully relevant facts.
(2) Explanation of how the criteria under §5.902 of this chapter will be immediately, permanently, and adequately mitigated. For example, if production or expenditures are insufficient, the explanation would need to address how production or expenditures will be increased in the short- and long-term to restore projected full and timely execution of the contract with respect to all Awarded Funds.
(3) If applicable because of failure to produce Unit Production or Expenditure targets under the existing Production Schedule, a detailed narrative of how the production schedule will be revised, going forward, to assure achievement of sufficient, achievable Unit Production and Expenditures to ensure timely and compliant full utilization of all Awarded Funds.
(4) An explanation of how remaining criteria under §5.902 of this chapter will be avoided. For example, if Unit Production criteria for June 30, reflected under §5.902(b) of this chapter were not met, then explanation will need to include how the ensuing criteria will be met and the criteria under §5.902(c) of this chapter, avoided.
(5) If relating to a Unit Production or expenditure criteria, a description of activities currently being undertaken including an accurate description of the number of units in progress, broken down by number of units that have been qualified, audited, assessed, contracted, inspected, and invoiced and as reflected in an updated Production Schedule.
(6) Provide any request for a reduction in Awarded Funds, reasons for the request, desired Awarded Fund and revised Production Schedule reflecting the reduced Awarded Fund.

(e) At any time after sending a Notification of Deobligation, the Department or a third-party assigned by the Department may monitor, conduct onsite-visits or other assessment or engage in any other oversight of the Subrecipient or New Provider that is believed appropriate by the Department under the facts and circumstances.

(f) The Department or a third-party assigned by the Department will review the Mitigation Action Plan, and where applicable, assess the Subrecipient's or New Provider's ability to meet the revised Production Schedule or remedy other concern.

(g) After the Department's receipt of the Mitigation Action Plan, the Department will provide the Subrecipient or New Provider a written Corrective Action Notice indicating the Department's determination, which may include one or more of the criteria identified in §5.904 of this chapter (relating to Deobligation and Other Mitigating Actions) or other acceptable solutions or remedies.

(h) The Subrecipient or New Provider has seven (7) calendar days from the date of the Corrective Action Notice to appeal the Corrective Action Notice to the Executive Director. Appeals may include:
(1) Request for the full Fund Award;
(2) Request for only partial Deobligation of the full Awarded Fund if full Deobligation was indicated in the Corrective Action Notice;
(3) Request for other lawful action consistent with the timely and full completion of the contract and Production Schedule for all Awarded Funds.

(i) In the event that an appeal is submitted to the Executive Director, the Executive Director may grant extensions or forbearance of targets included in the Production Schedule, continued operation of a contract, authorize Deobligation, or take other lawful action that is designed to ensure the timely and full completion of the contract for all Awarded Funds.

(j) In the event the Executive Director denies an appeal, the Subrecipient will have the opportunity to have their appeal presented at the next Department Board meeting for which the matter may be posted in accordance with law and submitted for final determination by the Board.

(k) In the event an appeal is not submitted within seven (7) calendar days from the date of the Corrective Action Notice, the Corrective Action Notice will automatically become final without need of any further action or notice by the Department, and the Department will amend/terminate the contract with the Subrecipient or New Provider to effectuate the Corrective Action Notice.

(l) Prior to full deobligation of a Contract or Fund Award, a public hearing will be held. To the extent an appeal is filed and heard by the Board under subsection (j) of this section, this public hearing requirement will be satisfied by the publicly posted Board meeting for which the appeal appears on the agenda.

(m) Notification of deobligation will not be required to be sent to a Subrecipient or New Provider, and a Mitigation Action Plan will not be required to be provided to the Department, if any one or more of the following are satisfied:
(1) The total cumulative unit production for the Subrecipient or New Provider, based on the monthly report as reported in the Community Affairs contract system, is at least 85% of the total cumulative number of units to be completed as of the end of the month according to the Subrecipient's forecast unit production within the Production Schedule for the time period applicable (i.e. cumulative through the month for which reporting has been made).
(2) The total cumulative expenditures for the Subrecipient or New Provider, based on the monthly report as reported in the Community Affairs contract system, is at least 85% of the total cumulative estimated expenditures to be expended as of the end of the month according to the Subrecipient's forecast expenditures within the Production Schedule for the time period applicable (i.e. cumulative through the month for which reporting has been made).

(3) The Subrecipient's, or New Provider's, monthly reports as reported in the Community Affairs contract system, for the prior two months, as required under the contract between the Department and the Subrecipient, reflects unit production that is 90% or more of the unit production amount to be completed as of the end of the month according to the Subrecipient's forecast unit production within the Production Schedule.

**REAL ESTATE ANALYSIS**
**BOARD ACTION REQUEST**
**NOVEMBER 10, 2010**

## Recommended Action

Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register final orders repealing 10 TAC Chapter 1, Sections 1.31 – 1.37, 2010 Real Estate Analysis Rules and Guidelines and adopting new 10 TAC Chapter 1, §§1.31 – 1.37, 2011 Real Estate Analysis Rules and Guidelines

**RESOLVED**, that the final orders adopting the repeal and adopting the new rule for the Real Estate Analysis Division, 10 TAC, Chapter 1, Subchapter B, §§1.31 – 1.37, General Provisions, Underwriting Rules and Guidelines, Market Analysis Rules and Guidelines, Appraisal Rules and Guidelines, Environmental Site Assessment Rules and Guidelines, Property Condition Assessment Guidelines, and Reserve for Replacement Rules and Guidelines is hereby ordered and it is approved, together with the preambles presented to this meeting, for publishing in the *Texas Register.*

**FURTHER RESOLVED,** that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the final order adopting the Real Estate Analysis Rules, in the form presented to this meeting, to be published in the *Texas Register* and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

## Background

On September 9, 2010, the Department's Board of Directors approved a proposed repeal of the 2010 Real Estate Analysis Rules and the publication for public comment on the Draft 2011 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines (Draft 2011 REA Rules). The proposed rules contain changes to the prior year rules based on staff input and public input at roundtable meetings.

On September 24, 2010 the Draft 2011 REA Rules were published in the *Texas Register*. Upon publication, a public comment period commenced on September 24, 2010 and ended on October 25, 2010. In addition to publishing the document in the *Texas Register*, a copy was published on the Department's web site and made available to the public upon request. The Department held public hearings in Houston, El Paso, Dallas, Brownsville, Austin, and Midland. One person provided comment on the Draft 2011 REA Rules at the Brownsville public hearing. No written comments were received during the public comment period. Staff is also recommending two changes to the definitions section to achieve consistency with the Qualified Allocation Plan.

In keeping with the requirements of the Administrative Procedures Act staff has reviewed all comments received and provided a reasoned response to each comment received. As part of the response staff will also issue a recommendation as to accepting the comment or not accepting the comment.

**Attachment A: Preamble, Reasoned Response, and New §§1.31 – 1.37**

The Texas Department of Housing and Community Affairs (the "Department") adopts new 10 TAC Chapter 1, Subchapter B, §§1.31 – 1.37, concerning the General Provisions, Underwriting Rules and Guidelines, Market Analysis Rules and Guidelines, Appraisal Rules and Guidelines, Environmental Site Assessment Rules and Guidelines, Property Condition Assessment Guidelines, and Reserve for Replacement Rules and Guidelines. Section 1.31 is adopted with changes to text as published in the *Texas Register* (35 Tex Reg 8565). Sections 1.32 – 1.37 are adopted without changes and will not be republished.

Public hearings to receive input on the proposed rules were held from September 29, 2010 to October 15, 2010 and written comments were accepted by mail, e-mail, and facsimile from September 24, 2010 to October 25, 2010, with comments received from Bill Fisher at the Brownsville public hearing. Staff reviewed the comments and determined that they do not warrant any change to the sections as published. Staff does recommend administrative changes for consistency with other Department rules.

REASONED RESPONSE TO PUBLIC COMMENT ON THE PROPOSED ADOPTION OF 10 TAC CHAPTER 1, SUBCHAPTER B, §§1.31 – 1.37, GENERAL PROVISIONS, UNDERWRITING RULES AND GUIDELINES, MARKET ANALYSIS RULES AND GUIDELINES, APPRAISAL RULES AND GUIDELINES, ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES, PROPERTY CONDITION ASSESSMENT GUIDELINES, AND RESERVE FOR REPLACEMENT RULES AND GUIDELINES

§1.31(b)(9). Definitions, Development.
STAFF RECOMMENDATION: To conform with amended definitions in Chapter 49, staff recommends deleting of the definition of Development and renumbering, as appropriate of other definitions within §1.31(b).

§1.31(b)(32). Definitions, Supportive Housing.
STAFF RECOMMENDATION: To conform with amended definitions in Chapter 49, staff recommends amending the definition of Supportive Housing as follows:
(32) Supportive Housing--Residential rental developments intended for occupancy by individuals or households in need of specialized and specific non-medical services in order to maintain independent living.

§1.33(d)(10)(E). Market Analysis Rules and Guidelines, Demand. (Bill Fisher)
COMMENT: Comment was received that suggests that households with housing authority vouchers are not being appropriately accounted for in the Department's Capture Rate Analysis.

STAFF RESPONSE: The Real Estate Analysis Rules regarding demand include a category called "Demand from Other Sources." The definition of this category specifically discusses Section 8 vouchers as a source of demand, and specifies the information that must be provided by the Market Analyst to quantify this demand. If the Market Study presents voucher holders as a source of demand, the Underwriter includes this source in the analysis. Staff recommends no change based on this comment.

The Board approved the final order adopting the new sections on November 10, 2010.

The new sections are adopted pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

*§1.31.General Provisions.*

(a) Purpose. The rules in this subchapter apply to the underwriting, market analysis, appraisal, environmental site assessment, property condition assessment, and reserve for replacement standards employed by the Texas Department of Housing and Community Affairs (the "Department" or "TDHCA"). This chapter provides rules for the underwriting review of an affordable housing development's financial feasibility and economic viability that ensures the most efficient allocation of resources while promoting and preserving the public interest in ensuring the long-term health of the Department's portfolio. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee (the "Committee"), Executive Director, and TDHCA Governing Board (the "Board") to help ensure procedural consistency in the determination of Development feasibility (§2306.0661(f) and §2306.6710(d), Texas Government Code). Due to the unique characteristics of each development the interpretation of the rules and guidelines described in this subchapter is subject to the discretion of the Department and final determination by the Board.

(b) Definitions. Terms used in this subchapter that are also defined in Chapter 49 of this title (relating to the 2011 Department's Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the "QAP") have the same meaning as in the QAP. Those terms that are not defined in the QAP or which may have another meaning when used in this subchapter, shall have the meanings set forth in §1.32(b) of this subchapter (relating to Underwriting Rules and Guidelines).

(1) Affordable Housing--Housing that has been funded through one or more of the Department's programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction.

(2) Bank Trustee--A bank authorized to do business in this state, with the power to act as trustee.

(3) Breakeven Occupancy--The occupancy level at which rental income plus secondary income is equal to all operating expenses, including replacement reserves and taxes, and mandatory debt service requirements for a Development.

(4) Cash Flow--The funds available from operations after all expenses and debt service required to be paid has been considered.

(5) Credit Underwriting Analysis Report--Sometimes referred to as the "Report." A decision making tool used by the Department and Board containing a synopsis and reconciliation of the application information submitted by the Applicant.

(6) Comparable Unit--A Unit, when compared to the subject Unit, similar in overall condition, location, unit amenities, utility structure, and common amenities; and

(A) for purposes of calculating the inclusive capture rate, targets the same population and is likely to draw from the same demand pool;

(B) for purposes of estimating the Restricted Market Rent targets the same population and is similar in net rentable square footage and number of bedrooms; or

(C) for purposes of estimating the subject Unit market rent does not have any income or rent restrictions and is similar in net rentable square footage and number of bedrooms.

(7) Contract Rent--Maximum rent limits based upon current and executed rental assistance contract(s), typically with a federal, state or local governmental agency.

(8) DCR--Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times loan principal and interest are covered by Net Operating Income.

~~(9) Development--Sometimes referred to as the "Subject Development." Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department's sources of funds.~~

(~~10~~**9**) EGI--Effective Gross Income. The sum total of all sources of anticipated or actual income for a rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(~~11~~**10**) Eligible Hard Costs--Hard Costs includable in Eligible Basis for the purposes of determining a Housing Tax Credit Allocation.

(~~12~~**11**) ESA--Environmental Site Assessment. An environmental report that conforms with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527) and conducted in accordance with §1.35 of this subchapter (relating to Environmental Site Assessment Rules and Guidelines) as it relates to a specific Development.

(~~13~~**12**) First Lien Lender--A lender whose lien has first priority.

(~~14~~**13**) Gross Capture Rate--The Gross Capture Rate is defined as the Relevant Supply divided by the Gross Demand.

(~~15~~**14**) Gross Demand--The sum of Potential Demand from the Primary Market (PMA), demand from other sources, and Potential Demand from a Secondary Market Area (SMA) to the extent that SMA demand does not exceed 25% of Gross Demand.

(~~16~~**15**) Gross Program Rent--Sometimes called the "Program Rents." Maximum rent limits based upon the tables promulgated by the Department's division responsible for compliance which are developed by program and by county or Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA") or national non-metro area.

(~~17~~**16**) Hard Costs--The sum total of direct construction costs, site work costs, off-site costs and contingency.

(~~18~~**17**) Market Analysis--Sometimes referred to as "Market Study." An evaluation of the economic conditions of supply, demand and rental rates or pricing conducted in accordance with §1.33 of this subchapter (relating to Market Analysis Rules and Guidelines) as it relates to a specific Development.

(~~19~~**18**) Market Analyst--Any person who prepares a market study.

(~~20~~**19**) Market Rent--The rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units on properties without rent and income restrictions.

(~~21~~**20**) NOI--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

(~~22~~**21**) Potential Demand--The number of income-eligible, age-, size-, and tenure-appropriate target households in the designated market area at the proposed placement in service date.

(~~23~~**22**) Primary Market--Sometimes referred to as "Primary Market Area" or "PMA." The area defined by the Qualified Market Analyst as described in §1.33(d)(9) of this subchapter from which a proposed or existing Development is most likely to draw the majority of its prospective tenants or homebuyers.

(~~24~~**23**) Property Condition Assessment--Sometimes referred to as "PCA," "Physical Needs Assessment," "Project Capital Needs Assessment," or "Property Condition Report." The PCA provides an evaluation of the physical condition of an existing property to evaluate the immediate cost to rehabilitate and to determine costs of future capital improvements to maintain the property. The PCA must be prepared in accordance with §1.36 of this subchapter (relating to Property Condition Assessment Rules and Guidelines) as it relates to a specific Development.

(~~25~~**24**) Qualified Market Analyst--A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, a real estate consultant, or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(~~26~~**25**) Relevant Supply--The relevant supply of proposed and unstabilized Comparable Units includes:

(A) The proposed subject Units;

(B) Comparable Units with priority over the subject, based on the Department's evaluation process described in §49.7(g) of this title (relating to Application Process), that have made application to TDHCA and have not been presented to the TDHCA Board for decision; and

(C) Comparable Units in previously approved but Unstabilized Developments in the Primary Market Area (PMA); and

(D) Comparable Units in previously approved but Unstabilized Developments in the Secondary Market Area (SMA), in the same proportion as the proportion of Potential Demand from the SMA that is included in Gross Demand.

(~~27~~**26**) Rent Over-Burdened Households--Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than 50% of gross income towards total housing expenses.

(~~28~~**27**) Reserve Account--An individual account:

(A) Created to fund any necessary repairs for a multifamily rental housing development; and

(B) Maintained by a First Lien Lender or Bank Trustee.

(~~29~~**28**) Restricted Market Rent--The restricted rent concluded by the Qualified Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units on properties with the same rent and income restrictions.

(~~30~~**29**) Secondary Market--Sometimes referred to as "Secondary Market Area." The area defined by the Qualified Market Analyst as described in §1.33(d)(8) of this subchapter.

(~~31~~**30**) Sub-Market--An area defined by the Underwriter based on general overall market segmentation promulgated by market data tracking and reporting services from which a proposed or existing Development is most likely to draw the majority of its prospective tenants or homebuyers.

(~~32~~**31**) Supportive Housing--Residential **r**~~R~~ental **d**~~D~~evelopments intended for occupancy by individuals or households ~~transitioning from homelessness, at risk of homelessness, or~~ in need of specialized and specific **non-medical** ~~social~~ services **in order to maintain independent living**.

(~~33~~**32**) TDHCA Operating Expense Database--Sometimes referred to as "TDHCA Database." A consolidation of recent actual operating expense information collected through the Department's Annual Owner Financial Certification process, as required and described in Chapter 60, Subchapter A of this title (relating to Compliance Monitoring), and published on the Department's web site.

(~~34~~**33**) Underwriter--The author(s) of the Credit Underwriting Analysis Report.

(~~35~~**34**) Unstabilized Development--A Development with Comparable Units that has been approved for funding by the TDHCA Board or is currently under construction or has not maintained a 90% occupancy level for at least twelve (12) consecutive months following construction completion.

(~~36~~**35**) Utility Allowance--The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services," provided by the local entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing, a documented estimate from the utility provider proposed in the Application, or for an existing development an allowance calculated by the Department pursuant to §60.109 of this title (relating to Utility Allowances). Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject development and consistent with the building plans provided.

(~~37~~**36**) Work Out Development--A financially distressed Development seeking a change in the terms of Department funding or program restrictions based upon market changes.

(c) Appeals. Certain programs contain express appeal options. Where not indicated, §1.7 of this chapter (relating to Staff Appeals Process) and §1.8 of this chapter (relating to Board Appeals Process) include general appeal procedures. In addition, the Department encourages the use of Alternative Dispute Resolution (ADR) methods, as outlined in §1.17 of this chapter.

*§1.32.Underwriting Rules and Guidelines.*

(a) General Provisions. The Department Governing Board has authorized the development of these rules under its authority under §2306.148, Texas Government Code. The rules provide a mechanism to produce consistent information in the form of a Credit Underwriting Analysis Report to provide interested parties information the Board relies upon in balancing the desire to assist as many Texans as possible by providing no more financing than necessary and have independent verification that Developments are economically feasible. The Report should consider all information timely provided by the Applicant. The Report generated in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

(b) Report Contents. The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. The Report will be based solely upon information that is provided in accordance with the time frames provided in the current Qualified Allocation Plan (QAP), Program Rules, or Notice of Funds Availability as appropriate. The Report should also identify the number of revisions and date of most current revision to any information deemed to be relevant by the Underwriter.

(c) Recommendations in the Report. The conclusion of the Report includes a recommended award of funds or allocation of Housing Tax Credits based on the lesser amount calculated by the program limit method, if applicable, gap/DCR method, or the amount requested by the Applicant as further described in paragraphs (1) - (3) of this subsection, and states any feasibility conditions to be placed on the award.

(1) Program Limit Method. For Developments requesting Housing Tax Credits, this method is based upon calculation of Eligible Basis after applying all cost verification measures and program limits as described in this section. The Applicable Percentage used is as defined in the QAP. For Developments requesting funding through a Department program other than Housing Tax Credits, this method is based upon calculation of the funding limit based on current program rules at the time of underwriting.

(2) Gap/DCR Method. This method evaluates the amount of funds needed to fill the gap created by total development cost less total non-Department-sourced funds or Tax Credits. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds or Tax Credits. In the case of Housing Tax Credits, the syndication proceeds needed to fill the gap in permanent funds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the DCR standards described in this section.

(3) The Amount Requested. The amount of funds that is requested by the Applicant as reflected in the Application documentation.

(d) Operating Feasibility. The operating financial feasibility of Developments funded by the Department is tested by subtracting operating expenses, including replacement reserves and taxes, from EGI to determine Net Operating Income. This Net Operating Income is divided by the annual debt service to determine the Debt Coverage Ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the Debt Coverage Ratio does not meet the minimum standard set forth in paragraph (4)(D) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee, which could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) Income. In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's income estimate by determining the appropriate rental rate per unit based on contract, program and market factors. Miscellaneous income and vacancy and collection loss limits as set forth in subparagraphs (B) and (C) of this paragraph, respectively, are applied unless well-documented support is provided.

(A) Rental Income. The Underwriter will update the utility allowance and calculate the appropriate rent on a conservative or Contract Rent basis for comparison to the Applicant's estimate in the Application. To determine the conservative basis, the Underwriter may consider the current rent roll of the subject Development and/or documentation of rents for Comparable Units; this shall be referred to as the "Underwriter's independently verified rents." The conservative basis for a restricted unit is the lesser of the Gross Program Rent less Utility Allowances ("Net Program Rent") or Restricted Market Rent or the Underwriter's independently verified rents. The conservative basis for an unrestricted unit is the lesser of the Market Rent, or Applicant's projected rent where the Applicant's projected rent is reasonable to the Underwriter as supported by documentation of

Comparable Units, or the Underwriter's independently verified rents. Where Contract Rents are included, they will be used regardless of the conservative basis derived rent.

(i) Market Rents. The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analysts attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter (relating to Market Analysis Rules and Guidelines).

(ii) Restricted Market Rent. The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size and income and rent restrictions provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Restricted Market Rent by unit, as long as the proposed Restricted Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable restricted rent. Random checks of the validity of the Restricted Market Rents may include direct contact with the comparable properties. The Market Analysts attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter.

(iii) Gross Program Rents less Utility Allowance or Net Program Rents. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the Application. The Underwriter uses the Gross Program Rents as promulgated by the Department's division responsible for compliance for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the Applications are underwritten with the rents promulgated for the same year. Gross Program Rents are reduced by the Utility Allowance. If Program Rents are adjusted by the Department after the close of the Application Acceptance Period but prior to publication of the Report, the Underwriter will adjust the Applicant's EGI to account for any increase or decrease in Program Rents for the purposes of determining the reasonableness of the Applicant's EGI.

(I) Units must be individually metered for all utility costs to be paid by the tenant.

(II) Gas utilities are verified on the building plans and elsewhere in the Application when applicable.

(III) Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles.

(IV) Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the development cost breakdown.

(iv) Contract Rents. The Underwriter reviews submitted rental assistance contracts to determine the Contract Rents currently applicable to the Development. Documentation supporting the likelihood of continued rental assistance is also reviewed. The underwriting analysis will take into consideration the Applicant's intent to request a Contract Rent increase. At the discretion of the Underwriter, the Applicant's proposed rents may be used in the underwriting analysis with the recommendations of the Report conditioned upon receipt of final approval of such increase.

(B) Miscellaneous Income. All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a $5 to $20 per unit per month range. Exceptions may be made at the discretion of the Underwriter for garage income, pass-through utility payments, pass-through water, sewer and trash payments, cable fees, congregate care/assisted living/elderly facilities, and child care facilities.

(i) Exceptions must be justified by operating history of existing comparable properties within the PMA or SMA.

(ii) The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative.

(iii) The Applicant's operating expense schedule should reflect an offsetting cost associated with income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

(iv) Collection rates of exceptional fee items will generally be heavily discounted.

(v) If an additional fee is charged for the use of an amenity, any cost associated with the construction, acquisition, or development of the hard assets needed to produce the additional fee for such amenity must be reduced from Eligible Basis for Tax Credit Developments.

(C) Vacancy and Collection Loss. The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area. Elderly and 100% project-based rental subsidy Developments and other well documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(D) Effective Gross Income. The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within 5% of the EGI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's proforma meets the requirements of paragraph (3) of this subsection.

(2) Expenses. In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's expense estimate by line item comparisons based upon the specifics of each transaction, including the type of Development, the size of the units, and the Applicant's expectations as reflected in their proforma. Historical stabilized certified or audited financial statements of the Development or Third Party quotes specific to the Development will reflect the strongest data points to predict future performance. The Department's database of properties in the same location or region as the proposed Development also provides heavily relied upon data points; the Department's database summary is available on the TDHCA website. Data from the Institute of Real Estate Management's (IREM) most recent Conventional Apartments-Income/Expense Analysis book for the proposed Development's property type and specific location or region may be referenced. In some cases local or project-specific data such as Public Housing Authority ("PHA") Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Estimates of utility savings from green building components, including on-site renewable energy, must be documented by experience of third parties not related to the contractor or component vendor. Finally, well documented information provided in the Market Analysis, the Application, and other sources may be considered.

(A) General and Administrative Expense. General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. The underwriting tolerance level for this line item is 20%.

(B) Management Fee. Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, 5% of the Effective Gross Income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as 3% may be utilized if documented by a fully executed management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) Payroll and Payroll Expense. Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional development. It does not, however, include direct security payroll or additional supportive services payroll. The underwriting tolerance level for this line item is 10%.

(D) Repairs and Maintenance Expense. Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. The underwriting tolerance level for this line item is 20%.

(E) Utilities Expense (Gas and Electric). Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(F) Water, Sewer and Trash Expense. Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(G) Insurance Expense. Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. The underwriting tolerance level for this line item is 30%.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The underwriting tolerance level for this line item is 10%.

(i) The per unit assessed value will be calculated based on the capitalization rate published on the county taxing authority's website. If the county taxing authority does not publish a capitalization rate on the internet, a capitalization rate of 10% will be used or comparable assessed values may be used in evaluating this line item expense.

(ii) Property tax exemptions or "Proposed Payment In Lieu Of Tax" agreement (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. At the discretion of the Underwriter, a property tax exemption that meets known federal, state and local laws may be applied based on the tax-exempt status of the Development Owner and its Affiliates.

(I) Reserves. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes minimum reserves of $250 per unit for new construction and $300 per unit for all other Developments. The Underwriter may require an amount above $300 for Developments other than new construction based on information provided in the PCA.

The Applicant's expense for reserves may be adjusted by the Underwriter if the amount provided by the Applicant is insufficient to fund capital needs as documented by the PCA during the first 15 years of the long term proforma. Higher levels of reserves also may be used if they are documented in the financing commitment letters.

(J) Other Expenses. The Underwriter will include other reasonable and documented expenses, not including depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees also are not considered in the Department's calculation of debt coverage. The most common other expenses are described in more detail in clauses (i) - (iv) of this subparagraph.

(i) Supportive Services Expense. Supportive Services Expense includes the documented cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. The Underwriter will not evaluate any selection points for this item. The Underwriter's verification will be limited to assuring any anticipated costs are included. For all transactions supportive services expenses are considered in calculating the Debt Coverage Ratio.

(ii) Security Expense. Security Expense includes contract or direct payroll expense for policing the premises of the Development. The Applicant's amount is typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll expense estimate discussed in subparagraph (C) of this paragraph.

(iii) Compliance Fees. Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time; however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered in calculating the Debt Coverage Ratio.

(iv) Cable Television Expense. Cable Television Expense includes fees charged directly to the owner of the Development to provide cable services to all units. The expense will be considered only if a contract for such services with terms is provided and income derived from cable television fees is included in the projected EGI. Cost of providing cable television in only the community building should be included in General and Administrative Expense as described in subparagraph (A) of this paragraph.

(K) The Department will communicate with and allow for clarification by the Applicant when the overall expense estimate is over 5% greater or less than the Underwriter's estimate. In such a case, the Underwriter will inform the Applicant of the line items that exceed the tolerance levels indicated in this paragraph, but may request additional documentation supporting some, none or all expense line items. If a rationale acceptable to the Underwriter for the difference is not provided, the discrepancy is documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter's determination is noted. If the Applicant's total expense estimate is within 5% of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's Year 1 proforma meets the requirements of paragraph (3) of this subsection.

(3) Net Operating Income. NOI is the difference between the EGI and total operating expenses. If the Year 1 NOI figure provided by the Applicant is within 5% of the Year 1 NOI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating the Year 1 DCR the Underwriter will maintain and use his independent calculation of NOI unless the Applicant's Year 1 EGI, Year 1 total expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(4) Debt Coverage Ratio. Debt Coverage Ratio is calculated by dividing Net Operating Income by the sum of loan principal and interest for all permanent sources of funds. Loan principal and interest, or "Debt Service," is calculated based on the terms indicated in the submitted commitments for financing. Terms generally include the amount of initial principal, the interest rate, amortization period, and repayment period. Unusual financing structures and their effect on Debt Service will also be taken into consideration.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter. Commitments indicating a variable rate must provide a detailed breakdown of the component rates comprising the all-in rate. The commitment must also state the lender's underwriting interest rate, or the Applicant must submit a separate statement executed by the lender with an estimate of the interest rate as of the date of the statement. The Underwriter may challenge the interest rate based on data collected on similarly structured transactions.

(B) Amortization Period. The Department requires an amortization of not less than thirty (30) years and not more than forty (40) years (fifty (50) years for federally sourced loans), or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization period may be used if the Department's funds are fully amortized over the same period.

(C) Repayment Period. For purposes of projecting the DCR over a 30-year period for Developments with permanent financing structures with balloon payments in less than thirty (30) years, the Underwriter will carry forward Debt Service calculated based on a full amortization and the interest rate stated in the commitment.

(D) Acceptable Debt Coverage Ratio Range. The acceptable Year 1 DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.15 to a maximum of 1.35. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 or greater than 1.35 based upon documentation of acceptance from the lender.

(i) For Developments other than HOPE VI and USDA Rural Development transactions, if the DCR is less than the minimum, the recommendations of the Report are conditioned upon a reduced debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reduction of the interest rate or an increase in the amortization period for TDHCA funded loans;

(II) A reclassification of TDHCA funded loans to reflect grants, if permitted by program rules;

(III) A reduction in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(ii) If the DCR is greater than the maximum, the recommendations of the Report may be based upon an increase in the debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reclassification of TDHCA funded grants to reflect loans, if permitted by program rules;

(II) An increase in the interest rate or a decrease in the amortization period for TDHCA funded loans;

(III) An increase in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(iii) For Housing Tax Credit Developments, a reduction in the recommended Tax Credit allocation may be made based on the gap/DCR method described in subsection (c)(2) of this section.

(iv) Although adjustments in Debt Service may become a condition of the Report, future changes in income, expenses, and financing terms could allow for an acceptable DCR.

(5) Long Term Proforma. The Underwriter will create a 30-year operating proforma.

(A) The base year projection utilized is the Underwriter's Year 1 EGI, Year 1 operating expenses, and Year 1 NOI unless the Applicant's Year 1 EGI, Year 1 total operating expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(B) A 2% annual growth factor is utilized for income and a 3% annual growth factor is utilized for expenses.

(C) Adjustments may be made to the Long Term Proforma if sufficient support documentation is provided by the Applicant. Support may include:

(i) Documentation with terms for project-based rental assistance or operating subsidy;

(ii) A fully executed management contract with clear terms;

(iii) Documentation prepared and signed by the Central Appraisal District (CAD) with jurisdiction over the Development indicating the appraisal methodology consistently employed by the CAD and a ten-year history, beginning with the Application year, of tax rates for each taxing district with jurisdiction over the Development; and

(iv) Required reserve for replacement schedule prepared and signed by the proposed permanent lender or equity provider. In no instance will the reserve for replacement figure included in the Long Term Proforma be less than the minimum requirements as described in §1.37 of this subchapter (relating to Reserve for Replacement Rules and Guidelines).

(e) Development Costs. The Development's need for permanent funds and, when applicable, the Development's Eligible Basis is based upon the projected total development costs. The Department's estimate of the total development cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction Developments, the Underwriter's total cost estimate will be used unless the Applicant's total development cost is within 5% of the Underwriter's estimate. The Department's estimate of the total development cost for acquisition/rehabilitation will be based in accordance with the PCA's estimated cost for the scope of work as defined by the Applicant and §1.36(a)(5) of this subchapter (relating to Property Condition Assessment Guidelines). In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the PCA. If the Applicant's total development cost is utilized and the Applicant's line item costs are inconsistent with documentation provided in the Application or program rules, the Underwriter may make adjustments to the Applicant's total cost estimate.

(1) Acquisition Costs. The proposed acquisition price is verified with the fully executed site control document(s) for the entire proposed site.

(A) Excess Land Acquisition. Where more land is being acquired than will be utilized for the site and the remainder acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated based on acreage from the total cost reflected in the site control document(s). An appraisal containing segregated values for the total acreage, the acreage for the subject site and the remainder acreage, or tax assessment value may be tools that are used by the Underwriter in making a proration determination based on relative value; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) Identity of Interest Acquisitions.

(i) The acquisition will be considered an identity of interest transaction when an Affiliate of, a Related Party to, or any owner at any level of the Development Team or permanent lender:

(I) Is the current owner in whole or in part of the proposed property; or

(II) Was the owner in whole or in part of the proposed property during any period within the thirty-six (36) months prior to the first day of the Application Acceptance Period.

(ii) In all identity of interest transactions the Applicant is required to provide subclauses (I) and (II) of this clause.

(I) The original acquisition cost listed in the submitted settlement statement or, if a settlement statement is not available, the original asset value listed in the most current audited financial statement for the identity of interest owner; and

(II) If the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost claimed in the application:

(-a-) an appraisal that meets the requirements of §1.34 of this subchapter (relating to Appraisal Rules and Guidelines); and

(-b-) any other verifiable costs of owning, holding, or improving the Property, excluding seller financing, that when added to the value from subclause (I) of this clause justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include Property taxes, interest expense, capitalized costs of any physical improvements made to the Property that benefit the proposed Development, the cost of rezoning, replatting, and any off-site costs to provide utilities or improve access to the Property that benefit the proposed Development. Additionally, an annual return of 10% may be applied to the original acquisition cost and documented holding and improvement costs; this return can be applied from the date the applicable cost is incurred until the date of the Department's Board meeting at which the subject Development's award will be considered.

(-2-) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the Property, and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the Property and avoid foreclosure. Additionally, an annual return of 10% may be applied to the original acquisition cost and documented holding and improvement costs; this return can be applied from the date the applicable cost was incurred until the date of the Department's Board meeting at which the subject Development's award will be considered. For any period of time during which the existing buildings are occupied or otherwise producing revenue, holding costs may not include operating expenses, including, but not limited to, property taxes and interest expense.

(iii) In no instance will the acquisition cost utilized by the Underwriter exceed the lesser of the original acquisition cost evidenced by clause (ii)(I) of this subparagraph plus costs identified in clause (ii)(II)(-b-) of this subparagraph, or the "as-is" value conclusion evidenced by clause (ii)(II)(-a-) of this subparagraph. The resulting acquisition cost will be referred to as the "identity of interest adjusted acquisition cost."

(C) Acquisition of Buildings for Tax Credit Properties. In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The building acquisition value utilized by the Underwriter will be equal to the least of the following:

(i) The Applicant's claimed building acquisition value;

(ii) The building acquisition value that results from the proration of the actual acquisition cost or identity of interest adjusted acquisition cost based upon a calculated "as-is" improvement value over the total "as-is" value provided in the appraisal; or

(iii) The actual acquisition cost or identity of interest adjusted acquisition cost less the land value in the appraisal.

(2) Off-Site Costs. Off-Site costs are costs of development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer on the required application form. If off-site costs are included in eligible basis based on PLR 200916007, a statement of findings from a CPA must also be provided which describes the facts relevant to the Development and affirmatively certifies that the fact pattern of the development matches the fact pattern in PLR 200916007. A certification from a Third Party engineer must also be provided that describes the circumstances of the necessity of the off-site improvement, including the relevant requirements of the local jurisdiction with authority over building codes.

(3) Site Work Costs. Project site work costs exceeding $9,000 per Unit, exclusive of ineligible demolition costs, must be well documented and certified by a Third Party engineer on the required application form. In addition, for Applicants seeking Tax Credits, documentation in keeping with §49.8(7)(C) of this title (relating to Threshold Criteria) will be utilized in calculating eligible basis.

(4) Direct Construction Costs. Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) New Construction. The Underwriter will use the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party cost estimating data source and historical final cost certifications of all previous Housing Tax Credit allocations to estimate the direct construction cost for a new construction Development. If the Applicant's estimate is more than 5% greater or less than the Underwriter's estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(i) The "Average Quality" multiple, townhouse, or single family costs, as appropriate, from the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party data source, based upon the details provided in the application and particularly site and building plans and elevations will be used to estimate direct construction costs. If the Development contains amenities or specifications not included in the Average Quality standard, the Department will take into account these costs.

(ii) If the difference in the Applicant's direct cost estimate and the direct construction cost estimate detailed in clause (i) of this subparagraph is more than 5%, the Underwriter shall also evaluate the direct construction cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for:

(I) the county in which the Development is to be located; or

(II) if cost certifications are unavailable under subclause (I) of this clause, the uniform state service region in which the Development is to be located; or

(III) other Developments by the same Applicant that are similar in design to the subject Development.

(B) Rehabilitation including Reconstruction Costs. In the case where the Applicant has provided a PCA which is inconsistent with the Applicant's figures as proposed in the development cost schedule and/or the Applicant's scope of work, the Underwriter may request a supplement executed by the PCA provider reconciling the Applicant's estimate and detailing the difference in costs. If said supplement is not provided or the Underwriter determines that the reasons for the initial difference in costs are not well-documented, the Underwriter utilizes the initial PCA estimations in lieu of the Applicant's estimates.

(5) Contingency. All contingencies identified in the Applicant's project cost schedule including any soft cost contingency will be added to Contingency with the total limited to the guidelines detailed in this paragraph. Contingency is limited to a maximum of 7% of direct construction costs plus site work for new construction Developments and 10% of direct construction costs plus site work for rehabilitation Developments. For Housing Tax Credit Developments, the percentage is applied to the sum of the eligible direct construction costs plus eligible site work costs in calculating the eligible contingency cost. The Applicant's figure is used by the Underwriter if the figure is less than 7% or 10%, as applicable.

(6) Contractor Fee. Contractor fees are limited to a total of 14% on Developments with Hard Costs of $3 million or greater, the lesser of $420,000 or 16% on Developments with Hard Costs less than $3 million and greater than $2 million, and the lesser of $320,000 or 18% on Developments with Hard Costs at $2 million or less. For tax credit Developments, the percentages are applied to the sum of the Eligible Hard Costs in calculating the eligible contractor fees. For Developments also receiving financing from TX-USDA-RHS, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TX-USDA-RHS requirements. Additional fees for ineligible costs will be limited to the same percentage of ineligible construction costs but will be ineligible for tax credit basis purposes.

(7) Developer Fee. Developer fee claimed must be multiplied by the appropriate applicable percentage depending whether it is attributable to acquisition or rehabilitation basis. Additional fees for ineligible costs will be limited to the same percentage of ineligible development costs (15% for Developments with 50 or more units, or 20% for Developments with 49 or fewer units) but will be ineligible for tax credit basis purposes. All fees to related parties to the owner or developer for work determined by the Underwriter to be typically completed by the developer will be considered part of the Developer fee claimed.

(A) For Tax Credit Developments, the development cost associated with developer fees and Development Consultant (also known as Housing Consultant) fees included in Eligible Basis cannot exceed 15% of the project's Total Eligible Basis less developer fees for Developments proposing 50 units or more and 20% of the project's Total Eligible Basis less developer fees for Developments proposing 49 units or less, as defined in the Qualified Allocation Plan and Rules (QAP).

(B) In the case of a transaction requesting acquisition Tax Credits:

(i) the allocation of eligible developer fee in calculating rehabilitation/new construction Tax Credits will not exceed 15% of the rehabilitation/new construction basis less developer fees for Developments proposing 50 units or more and 20% of the rehabilitation/new construction basis less developer fees for Developments proposing 49 units or less; and

(ii) no developer fee attributable to an identity of interest acquisition of the Development will be included in Eligible Basis.

(C) For non-Tax Credit Developments, the percentage can be up to 15% but is based upon total development costs less the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, reserves, and any other identity of interest acquisition cost.

(8) Financing Costs. Eligible construction period interest is limited to the lesser of actual eligible construction period interest, or the interest on one (1) year's fully drawn construction period loan funds at the construction period interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee included in Eligible Basis.

(9) Reserves. The Department will utilize the amount described in the Applicant's project cost schedule if it is within the range of two (2) to six (6) months of stabilized operating expenses less management fees and reserve for replacements plus debt service. Alternatively, the Underwriter may consider a greater amount proposed by the conventional lender or syndicator if the detail for such greater amount is well documented in the conventional lender or syndicator commitment letter.

(10) Other Soft Costs. For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes. Ineligible costs are those that tend to fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal from Eligible Basis.

(f) Developer Capacity. The Department will review personal credit reports for development sponsors, developer fee recipients and those individuals anticipated to guarantee the completion of the Development. The Underwriter will evaluate the credit report and identify any bankruptcy, state or federal tax liens or other relevant credit risks for compliance with eligibility and debarment requirements in the QAP and statute.

(g) Other Underwriting Considerations. The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) Floodplains. The Underwriter evaluates the site plan, floodplain map, survey and other information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter, the Report will include a condition that:

(A) The Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F); or

(B) The Applicant must identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain; or

(C) The Development must be designed to comply with the QAP, as proposed.

(2) The Underwriter will identify in the report any Developments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

(3) Supportive Housing. The unique development and operating characteristics of Supportive Housing Developments may require special consideration in the following areas:

(A) Operating Income. The extremely-low-income tenant population typically targeted by a Supportive Housing Development may include deep-skewing of rents to well below the 50% AMI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below the maximum rent limit proposed for the units and equal to any project based rental subsidy rent to be utilized for the Development;

(B) Operating Expenses. A Supportive Housing Development may have significantly higher expenses for payroll, management fee, security, resident support services, or other items than typical Affordable Housing Developments. The Underwriter will rely heavily upon the historical operating expenses of other Supportive Housing Developments provided by the Applicant or otherwise available to the Underwriter;

(C) DCR and Long Term Feasibility. Supportive Housing Developments may be exempted from the DCR requirements of subsection (d)(4)(D) of this section if the Development is anticipated to operate without conventional debt. Applicants must provide evidence of sufficient financial resources to offset any projected 15-year cumulative negative cash flows. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's long term feasibility requirements and may take the form of one or a combination of the following: executed subsidy commitment(s); set-aside of Applicant's financial resources; to be substantiated by an audited financial statement evidencing sufficient resources; and/or proof of annual fundraising success sufficient to fill anticipated operating losses. If either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a Supportive Housing Development, a resolution from the Applicant's governing board must be provided confirming their irrevocable commitment to the provision of these funds and activities; and/or

(D) Development Costs. For Supportive Housing that is styled as efficiencies, the Underwriter may use "Average Quality" dormitory costs, or costs of other appropriate design styles from the Marshall & Swift Valuation Service, with adjustments for amenities and/or quality as evidenced in the application, as a base cost in evaluating the reasonableness of the Applicant's direct construction cost estimate for new construction Developments.

(h) Work Out Development. Developments that are underwritten subsequent to Board approval in order to refinance or gain relief from restrictions may be considered infeasible based on the guidelines in this section, but may be characterized as "the best available option" or "acceptable available option" depending on the circumstances and subject to the discretion of the Underwriter as long as the option analyzed and recommended is more likely to achieve a better financial outcome for the property and the Department than the status quo.

(i) Feasibility Conclusion. An infeasible Development will not be recommended for funding or allocation unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendations of the report upon receipt of documentation supporting the alternative feasible financing structure. A Development will be characterized as infeasible if paragraph (1) or (2) of this subsection applies. The Development will be characterized as infeasible if one or more of paragraphs (3) and (4) of this subsection applies unless paragraph (6)(B) of this subsection also applies.

(1) Gross Capture Rate. The method for determining the Gross Capture Rate for a Development is defined in §1.33(d)(11)(F) of this subchapter. The Underwriter will independently verify all components and conclusions of the Gross Capture Rate and may at their discretion use independently acquired demographic data to calculate demand and may make a determination of the effective Gross Capture Rate based upon an analysis of the Sub-market. The Development:

(A) is characterized as a Qualified Elderly Development (including the Elderly section of an Intergenerational Development) and the Gross Capture Rate exceeds 10% for the total proposed units; or

(B) is in an Urban Area and targets the general population, and the Gross Capture Rate exceeds 10% for the total proposed units; or

(C) is in a Rural Area and targets the general population, and the Gross Capture Rate exceeds 30%; or

(D) targets Persons with Special Needs and the Gross Capture rate exceeds 30%.

(E) Developments meeting the requirements of subparagraph (A), (B), (C), or (D) of this paragraph may avoid being characterized as infeasible if clause (i) or (ii) of this subparagraph apply.

(i) Replacement Housing. The proposed Development is comprised of Affordable Housing which replaces previously existing Affordable Housing within the Primary Market Area as defined in §1.33 of this subchapter on a Unit for Unit basis, and gives the displaced tenants of the previously existing Affordable Housing a leasing preference.

(ii) Existing Housing. The proposed Development is comprised of existing Affordable Housing which is at least 50% occupied and gives displaced existing tenants a leasing preference as stated in the submitted relocation plan.

(2) Deferred Developer Fee. Developments requesting an allocation of tax credits cannot repay the estimated deferred developer fee, based on the Underwriter's recommended financing structure, from cashflow within the first fifteen (15) years of the long term proforma as described in subsection (d)(5) of this section.

(3) Restricted Market Rent. The Restricted Market Rent for units with rents restricted at 60% of AMGI is less than both the Net Program Rent and Market Rent for units with rents restricted at or below 50% of AMGI unless the Applicant accepts all Underwriting recommendation that all restricted units have rents and incomes restricted at or below the 50% of AMGI level.

(4) Initial Feasibility. The Year 1 annual total operating expense divided by the Year 1 Effective Gross Income is greater than 68% for rural developments 36 units or less and 65% for all other developments.

(5) Long Term Feasibility. Any year in the first fifteen (15) years of the Long Term Proforma, as defined in subsection (d)(5) of this section, reflects:

(A) negative Cash Flow; or

(B) a Debt Coverage Ratio below 1.15.

(6) Exceptions. The infeasibility conclusions may be excepted where either of the following apply.

(A) The requirements in this subsection may be waived by the Executive Director of the Department on appeal if documentation is submitted by the Applicant to support unique circumstances that would provide mitigation.

(B) Developments meeting the requirements of one or more of paragraphs (3) - (5) of this subsection will be re-characterized as feasible if one or more of clauses (i) - (vi) of this subparagraph apply.

(i) The Development will receive Project-based Section 8 Rental Assistance for at least 50% of the units and a firm commitment with terms including contract rent and number of units is submitted at application.

(ii) The Development will receive rental assistance for at least 50% of the units in association with USDA-RD-RHS financing.

(iii) The Development will be characterized as public housing as defined by HUD for at least 50% of the units.

(iv) The Development will be characterized as Supportive Housing for at least 50% of the units and evidence of adequate financial support for the long term viability of the Development is provided.

(v) The Development has other long term project based restrictions on rents for at least 50% of the units that allow rents to increase based upon expenses and the Applicant's proposed rents are at least 10% lower than both the Net Program Rent and Restricted Market Rent.

(vi) The units not receiving Project-based Section 8 Rental Assistance or rental assistance in association with USDA-RD-RHS financing, or not characterized as public housing do not propose rents that are less than the Project-based Section 8, USDA-RD-RHS financing, or public housing units.

*§1.33.Market Analysis Rules and Guidelines.*

(a) General Provision. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject Property rental rates or sales price and state conclusions as to the impact of the Property with respect to the determined housing needs. The Market Analysis must include a statement that the report preparer has read and understood the requirements of this section.

(b) Self-Contained. A Market Analysis prepared for the Department must allow the reader to understand the market data presented, the analysis of the data, and the conclusions derived from such data. All data presented should reflect the most current information available and the report must provide a parenthetical (in-text) citation or footnote describing the data source. The analysis must clearly lead the reader to the same or similar conclusions reached by the Market Analyst. All steps leading to a calculated figure must be presented in the body of the report.

(c) Market Analyst Qualifications. A Market Analysis submitted to the Department must be prepared and certified by an approved Qualified Market Analyst (§2306.67055.) The Department will maintain an approved Market Analyst list based on the guidelines set forth in paragraphs (1) - (3) of this subsection.

(1) If not listed as approved by the Department, Market Analysts must submit subparagraphs (A) - (F) of this paragraph at least thirty (30) days prior to the first day of the Application Acceptance Period for which the Market Analyst must be approved. To maintain status as an approved Qualified Market Analyst, updates to the items described in subparagraphs (A) - (C) of this paragraph must be submitted annually on the first Monday in February for review by the Department.

(A) Documentation of good standing from the Texas Comptroller of Public Accounts.

(B) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(C) Resumes for all members of the firm or subcontractors who may author or sign the Market Analysis.

(D) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(E) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the application round in which each Market Analysis is submitted.

(F) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the sample Market Analysis is submitted.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the application round and as time permits, staff or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved Qualified Market Analyst list.

(A) In and of itself, removal from the list of approved Market Analysts will not invalidate a Market Analysis commissioned prior to the removal date and at least ninety (90) prior to the first day of the applicable Application Acceptance Period.

(B) To be reinstated as an approved Qualified Market Analyst, the Market Analyst must amend the previous report to remove all discrepancies or submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the updated or new sample Market Analysis is submitted.

(3) The list of approved Qualified Market Analysts is posted on the Department's web site and updated within seventy-two (72) hours of a change in the status of a Market Analyst.

(d) Market Analysis Contents. A Market Analysis for a rental Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) - (13) of this subsection.

(1) Title Page. Include Property address or location, effective date of analysis, date report completed, name and address of person authorizing report, and name and address of Market Analyst.

(2) Letter of Transmittal. The date of the letter must be the date the report was completed. Include Property address or location, description of Property, statement as to purpose and scope of analysis, reference to accompanying Market Analysis report with effective date of analysis and summary of conclusions, date of Property inspection, name of persons inspecting subject Property, and signatures of all Market Analysts authorized to work on the assignment. Include a statement that the report preparer has read and understood the requirements of this section.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Sheet. Include the Department's Market Analysis Summary exhibit.

(5) Assumptions and Limiting Conditions. Include a description of all assumptions, both general and specific, made by the Market Analyst concerning the Property.

(6) Identification of the Property. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(7) Statement of Ownership. Disclose the current owners of record and provide a three (3) year history of ownership for the subject Property.

(8) Secondary Market Area. All of the Market Analyst's conclusions specific to the subject Development must be based on only one Secondary Market Area definition. The entire PMA, as described in this paragraph, must be contained within the Secondary Market boundaries. The Market Analyst must adhere to the methodology described in this paragraph when determining the secondary market area. (§2306.67055)

(A) The Secondary Market Area will be defined by the Market Analyst with:

(i) size based on a base year population of no more than 250,000 people inclusive of the Primary Market Area; and

(ii) boundaries based on U.S. census tracts, ZIP codes, or place, as defined by the U.S. Census Bureau.

(B) The Market Analyst's definition of the Secondary Market Area must include:

(i) a detailed description of why the subject Development is expected to draw a significant number of tenants or homebuyers from the defined SMA;

(ii) a complete demographic report for the defined SMA; and

(iii) a scaled distance map indicating the SMA boundaries as well as the location of the subject Development and all comparable Developments.

(9) Primary Market Area. All of the Market Analyst's conclusions specific to the subject Development must be based on only one Primary Market Area definition. The Market Analyst must adhere to the methodology described in this paragraph when determining the market area. (§2306.67055)

(A) The Primary Market Area will be defined by the Market Analyst with:

(i) size based on a base year population of no more than 100,000 people;

(ii) boundaries based on U.S. census tracts, zip codes, or place, as defined by the U.S. Census Bureau; and

(iii) the population of the PMA may exceed 100,000 if the amount over the limit is contained within a single census tract or zip code, and if the PMA is defined by census tract or zip code.

(B) The Market Analyst's definition of the Primary Market Area must include:

(i) a detailed description of why the subject Development is expected to draw a majority of its prospective tenants or homebuyers from the defined PMA;

(ii) a complete demographic report for the defined PMA; and

(iii) a scaled distance map indicating the PMA boundaries as well as the location of the subject Development and all comparable Developments.

(C) Comparable Units. Identify Developments in the PMA with Comparable Units. In Primary Market Areas lacking sufficient rent comparables, it may be necessary for the Market Analyst to collect data from markets with similar characteristics and make quantifiable location adjustments. Provide a data sheet for each Development consisting of:

(i) Development name;

(ii) Address;

(iii) Year of construction and year of rehabilitation, if applicable;

(iv) Property condition;

(v) Population target;

(vi) Unit mix specifying number of Bedrooms, number of baths, net rentable square footage; and

(I) monthly rent and utility allowance; or

(II) sales price with terms, marketing period and date of sale;

(vii) Description of concessions;

(viii) List of unit amenities;

(ix) Utility structure;

(x) List of common amenities; and

(xi) For rental developments only;

(I) occupancy; and

(II) turnover.

(10) Market Information:

(A) For each of the defined market areas, identify the number of units for each of the categories in clauses (i) - (vi) of this subparagraph; the data must be clearly labeled as relating to either the PMA or the SMA, if applicable:

(i) total housing;

(ii) rental developments (all multi-family);

(iii) Affordable Housing;

(iv) Comparable Units;

(v) Unstabilized Comparable Units; and

(vi) proposed Comparable Units.

(B) Occupancy. The occupancy rate indicated in the Market Analysis may be used to support both the overall demand conclusion for the proposed Development and the vacancy rate assumption used in underwriting the Development (§1.32(d)(1)(C) of this subchapter relating to Underwriting Rules and Guidelines). State the overall physical occupancy rate for the proposed housing tenure (renter or owner) within the defined market areas by:

(i) number of Bedrooms;

(ii) quality of construction (class);

(iii) Targeted Population; and

(iv) Comparable Units.

(C) Absorption. State the absorption trends by quality of construction (class) and absorption rates for Comparable Units.

(D) Demographic Reports.

(i) All demographic reports must include population and household data for a five (5) year period with the year of application as the base year;

(ii) All demographic reports must provide sufficient data to enable calculation of income-eligible, age-, size-, and tenure-appropriate household populations; and

(iii) For Developments targeting seniors, all demographic reports must provide a detailed breakdown of households by age and by income.

(E) Demand. Provide a comprehensive evaluation of the need for the proposed housing for the Development as a whole and each Unit type by number of Bedrooms proposed and rent restriction category within the defined market areas using the most current census and demographic data available.

(i) Demographics. The Market Analyst should use demographic data specific to the characteristics of the households that will be living in the proposed Development. For example, the Market Analyst should use demographic data specific to elderly population for an elderly Development, if available, and should avoid making adjustments from more general demographic data. If adjustment rates are used based on more general data for any of the following they should be clearly identified and documented as to their source in the report.

(I) Population. Provide population and household figures, supported by actual demographics, for a five (5) year period with the year of application as the base year.

(II) Target. If applicable, adjust the household projections for the Qualified Elderly or special needs population targeted by the proposed Development.

(III) Household Size-Appropriate. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on 1.5 persons per Bedroom (round up).

(IV) Income Eligible. Adjust the household size appropriate projections for income eligibility based on the income bands for the proposed Unit type by number of Bedrooms proposed and rent restriction category with:

(-a-) the lower end of each income band calculated based on the lowest gross rent proposed divided by 35% for the general population and 50% for Qualified Elderly households; and

(-b-) the upper end of each income band equal to the applicable gross median income limit for the largest appropriate household size based on 1.5 persons per Bedroom (round up) or one person for efficiency units.

(V) Tenure-Appropriate. Adjust the income-eligible household projections for tenure (renter or owner). If tenure appropriate income eligible target household data is available, a tenure appropriate adjustment is not necessary.

(ii) Gross Demand. Gross Demand is defined as the sum of Potential Demand from the PMA, Demand from Other Sources, and Potential Demand from a Secondary Market Area (SMA) to the extent that SMA demand does not exceed 25% of Gross Demand.

(iii) Potential Demand. Potential Demand is defined as the number of income-eligible, age-, size-, and tenure-appropriate target households in the designated market area at the proposed placed in service date.

(I) Maximum eligible income is equal to the applicable gross median income limit for the largest appropriate household size based on 1.5 persons per Bedroom (round up) or one person for efficiency units.

(II) For Developments targeting the general population:

(-a-) Minimum eligible income is based on a 35% rent to income ratio;

(-b-) Appropriate household size is defined as 1.5 persons per Bedroom (rounded up); and

(-c-) The tenure-appropriate population for a rental Development is limited to the population of renter households.

(III) For Developments consisting solely of single family residences on separate lots with all units having three (3) or more bedrooms:

(-a-) Minimum eligible income is based on a 35% rent to income ratio;

(-b-) Appropriate household size is defined as 1.5 persons per bedroom (rounded up); and

(-c-) Gross Demand includes both renter and owner households.

(IV) For Developments targeting the senior population:

(-a-) Minimum eligible income is based on a 50% rent to income ratio; and

(-b-) Gross Demand includes all household sizes and both renter and owner households.

(iv) Demand from Secondary Market Area:

(I) Potential Demand from an SMA should be calculated in the same way as Potential Demand from the PMA;

(II) Potential Demand from an SMA may be included in Gross Demand to the extent that SMA demand does not exceed 25% of Gross Demand; and

(III) The supply of proposed and unstabilized comparable units in the SMA must be included in the calculation of the capture rate at the same proportion that Potential Demand from the SMA is included in Gross Demand.

(v) Demand from Other Sources:

(I) The source of additional demand and the methodology used to calculate the additional demand must be clearly stated;

(II) Consideration of Demand from Other Sources is at the discretion of the Underwriter;

(III) Demand from Other Sources must be limited to households that are not included in Potential Demand; and

(IV) If households with Section 8 vouchers are identified as a source of demand, the Market Study must include:

(-a-) Documentation of the number of vouchers administered by the local Housing Authority; and

(-b-) A complete demographic report for the area in which the vouchers are distributed.

(11) Conclusions. Include a comprehensive evaluation of the subject Property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) - (I) of this paragraph. All conclusions must be consistent with the data and analysis presented throughout the Market Analysis.

(A) Unit Mix. Provide a best possible unit mix conclusion based on the occupancy rates by Bedroom type within the PMA and target, income-eligible, size-appropriate and tenure-appropriate household demand within the PMA.

(B) Rents. Provide a separate Market Rent and Restricted Market Rent conclusion for each proposed Unit type by number of Bedrooms and rent restriction category. Conclusions of Market Rent or Restricted Market Rent below the maximum Net Program Rent limit must be well documented as the conclusions may impact the feasibility of the Development under §1.32(i) of this subchapter. Rent Adjustments. In support of the Market Rent and Restricted Market Rent conclusions, provide a separate attribute adjustment matrix for each proposed unit type by number of Bedrooms and rental restriction category.

(i) The Department recommends use of HUD Form 92273.

(ii) A minimum of three developments must be represented on each attribute adjustment matrix.

(iii) Adjustments for concessions must be included, if applicable.

(iv) Total adjustments in excess of 15% must be supported with additional narrative.

(v) Total adjustments in excess of 25% indicate the Units are not comparable for the purposes of determining Market Rent and Restricted Market Rent conclusions.

(C) Effective Gross Income. Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the Applicant's estimates.

(D) Demand:

(i) State the Gross Demand for each Unit type by number of Bedrooms proposed and rent restriction category (e.g. one-Bedroom units restricted at 50% of AMFI; two-Bedroom units restricted at 60% of AMFI); and

(ii) State the Gross Demand for the proposed Development as a whole. If some households are eligible for more than one unit due to overlapping eligible ranges for income or household size, Gross Demand should be adjusted to avoid including households more than once.

(E) Relevant Supply. The relevant supply of proposed and unstabilized comparable units includes:

(i) The proposed subject Units;

(ii) Comparable Units with priority over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision;

(iii) Comparable Units in previously approved but Unstabilized Developments in the PMA; and

(iv) Comparable Units in previously approved but Unstabilized Developments in the SMA, in the same proportion as the proportion of Potential Demand from the SMA that is included in Gross Demand.

(F) Gross Capture Rate. The Gross Capture Rate is defined as the Relevant Supply divided by the Gross Demand. The Market Analyst must calculate a Gross Capture Rate for the subject Development as a whole, as well as for each Unit type by number of Bedrooms and rent restriction categories, and market rate Units, if applicable. Refer to §1.32(i) of this subchapter for feasibility criteria.

(G) A complete demand and capture rate analysis is required in every Market Study, regardless of the current occupancy level of an existing Development.

(H) Absorption. Project an absorption period for the subject Development to achieve Breakeven Occupancy. State the absorption rate.

(I) Market Impact. Provide an assessment of the impact the subject Development, as completed, will have on existing Developments supported by Housing Tax Credits in the Primary Market. (§2306.67055)

(12) Photographs. Provide labeled color photographs of the subject Property, the neighborhood, street scenes, and comparables. An aerial photograph is desirable but not mandatory.

(13) Appendices. Any Third Party reports including demographics relied upon by the Market Analyst must be provided in appendix form. A list of works cited including personal communications also must be provided, and the Modern Language Association (MLA) format is suggested.

(e) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject Development and the provisions of the particular program guidelines.

(f) In the event that the PMA for a subject Development overlaps the PMA's of other proposed or unstabilized comparable Developments, the Underwriter may perform an extended Sub-Market analysis considering the combined PMA's and all proposed and unstabilized units in the extended Sub-Market Area; the Gross Capture Rate from such an extended Sub-Market Area analysis may be used as the basis for a feasibility conclusion.

(g) All Applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst.

*§1.34.Appraisal Rules and Guidelines.*

(a) General Provision. An appraisal prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must include a statement that the report preparer has read and understood the requirements of this section.

(b) Self-Contained. An appraisal prepared for the Department must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions.

(c) Appraiser Qualifications. The qualifications of each appraiser are determined on a case-by-case basis by the Director of Real Estate Analysis or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser. At minimum, a qualified appraiser must be appropriately certified or licensed by the Texas Appraiser Licensing and Certification Board.

(d) Appraisal Contents. An appraisal prepared for the Department must be organized in a format that follows a logical progression. In addition to the contents described in USPAP Standards Rule 2, the appraisal must include items addressed in paragraphs (1) - (12) of this subsection.

(1) Title Page. Include a statement identifying the Department as the client, acknowledging that the Department is granted full authority to rely on the findings of the report, and name and address of person authorizing report.

(2) Letter of Transmittal. Include reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, tax assessor's parcel number(s) of the site, estimate of marketing period, and signatures of all appraisers authorized to work on the assignment including the appraiser who inspected the property. Include a statement indicating the report preparer has read and understood the requirements of this section.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Disclosure of Competency. Include appraiser's qualifications, detailing education and experience.

(5) Statement of Ownership of the Subject Property. Discuss all prior sales of the subject property which occurred within the past three (3) years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(6) Property Rights Appraised. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(7) Site/Improvement Description. Discuss the site characteristics including subparagraphs (A) - (E) of this paragraph.

(A) Physical Site Characteristics. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) Floodplain. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) Zoning. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of Development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the highest and best use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) Description of Improvements. Provide a thorough description and analysis of the improvements including size (net rentable area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, energy efficiency measures, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) Environmental Hazards. It is recognized appraisers are not experts in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(8) Highest and Best Use. Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider paragraph (7)(A) - (E) of this subsection as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements (legally permissible, physically possible, feasible, and maximally productive) must be considered.

(9) Appraisal Process. It is mandatory that all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property. If an approach is not applicable to a particular property an adequate explanation must be provided. A land value estimate must be provided if the cost approach is not applicable.

(A) Cost Approach. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three (3) year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) - (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) Sales Comparison Approach. This section should contain an adequate number of sales to provide the reader with a description of the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Sales information should include address, legal description, tax assessor's parcel number(s), sales price, financing considerations and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three (3) year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) The method(s) used in the Sales Comparison Approach must be reflective of actual market activity and market participants.

(I) Sale Price/Unit of Comparison. The analysis of the sale comparables must identify, relate, and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions, and physical features. Sufficient narrative must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable.

(II) Net Operating Income/Unit of Comparison. The net operating income statistics or the comparables must be calculated in the same manner. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) Income Approach. This section must contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) Market Rent Estimate/Comparable Rental Analysis. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) Comparison of Market Rent to Contract Rent. Actual income for the subject along with the owner's current budget projections must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) Vacancy/Collection Loss. Historical occupancy data and current occupancy level for the subject should be reported and compared to occupancy data from the rental comparables and overall occupancy data for the subject's Primary Market.

(iv) Expense Analysis. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Include historical data regarding the subject's assessment and tax rates and a statement as to whether or not any delinquent taxes exist.

(v) Capitalization. The appraiser should present the capitalization method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) Direct Capitalization. The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(10) Value Estimates. Reconciliation final value estimate is required.

(A) All appraisals shall contain a separate estimate of the "as vacant" market value of the underlying land, based upon current sales comparables. The appraiser should consider the fee simple or leased fee interest as appropriate.

(B) Appraisal assignments for new construction are required to provide an "as completed" value of the proposed structures. These reports shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value.

(C) Reports on Properties to be rehabilitated shall address the "as restricted with favorable financing" value as well as both an "as is" value and an "as completed" value. The appraiser should consider the fee simple or leased fee interest as appropriate.

(D) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(11) Marketing Time. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(12) Photographs. Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(e) Additional Appraisal Concerns. The appraiser(s) must be aware of Department program rules and guidelines and the appraisal must include analysis of any impact to the subject's value.

*§1.35.Environmental Site Assessment Rules and Guidelines.*

(a) General Provisions. The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E1527-05). Any subsequent reports should also conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as a User of the report (as defined by ASTM standards.) Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment, and that the fee is in no way contingent upon the outcome of the assessment. The ESA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

(b) In addition to ASTM requirements, the report must:

(1) State if a noise study is recommended for a property in accordance with current HUD guidelines and identify its proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise;

(2) Provide a copy of a current survey, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

(3) Provide a copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map;

(4) If the subject site includes any improvements or debris from pre-existing improvements, state if testing for asbestos containing materials (ACMs) would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(5) If the subject site includes any improvements or debris from pre-existing improvements, state if testing for Lead Based Paint would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(6) State if testing for lead in the drinking water would be required pursuant to local, state, and federal laws, or recommended due to any other consideration such as the age of pipes and solder in existing improvements; and

(7) Assess the potential for the presence of Radon on the property, and recommend specific testing if necessary.

(c) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(d) For Developments in programs that allow a waiver of the Phase I ESA such as a TX-USDA-RHS funded Development, the Development Owners are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(e) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms to the requirements of this subsection.

*§1.36.Property Condition Assessment Guidelines.*

(a) General Provisions. The objective of the Property Condition Assessment is to provide cost estimates for repairs and replacements, and new construction of additional buildings or amenities, which are: immediately necessary repairs and replacements; improvements proposed by the Applicant as outlined in a scope of work narrative submitted by the Applicant to the PCA provider that is consistent with the scope of work provided in the Application; and expected to be required throughout the term of the regulatory period and not less than thirty (30) years. For Developments proposing reconstruction, the PCA must only address costs to rehabilitate the existing buildings. The PCA prepared for the Department should be conducted and reported in conformity with the American Society for Testing and Materials "Standard Guide for Property Condition Assessments. Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018") except as provided for in subsections (b) and (c) of this section. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section. The PCA must include the Department's PCA Cost Schedule Supplement which details all rehabilitation costs and projected repairs and replacements through at least fifteen (15) years. The PCA must also include discussion and analysis of the following:

(1) Useful Life Estimates. For each system and component of the property the PCA should assess the condition of the system or component, and estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(2) Code Compliance. The PCA should review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject property;

(3) Program Rules. The PCA should assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, particular consideration being given to accessibility requirements, the Department's Housing Quality Standards, and any scoring criteria for which the Applicant may claim points;

(4) Statement of Acknowledgement. The PCA provider must affirm in the report that the Applicant's scope of work for improvements and the immediate needs of the rehabilitation are considered and reconciled within the PCA report and the PCA Cost Schedule Supplement; and

(5) Cost Estimates for Repair and Replacement. It is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA provider is apprised of all development activities associated with the proposed transaction and consistency of the total immediately necessary and proposed repair and replacement cost estimates with the development cost schedule and scope of work submitted as an exhibit of the Application.

(A) Immediately Necessary Repairs and Replacement. Systems or components which are expected to have a remaining useful life of less than one (1) year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards should be considered immediately necessary repair and replacement. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) Proposed Repair, Replacement, or New Construction. If the development plan calls for additional repair, replacement, or new construction above and beyond the immediate repair and replacement described in subparagraph (A) of this paragraph, such items must be identified and the nature or source of obsolescence or improvement to the operations of the Property discussed. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or new construction which is identified as being above and beyond the immediate need, citing the basis or the source from which such cost estimate is derived.

(C) Expected Repair and Replacement Over Time. The term during which the PCA should estimate the cost of expected repair and replacement over time must equal the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the property. The PCA must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The PCA must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred and no less than fifteen (15) years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum.

(b) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments;

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments;

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports;

(4) TX-USDA-RHS guidelines for Capital Needs Assessment; or

(5) Standard and Poor's Property Condition Assessment Criteria: Guidelines for Conducting Property Condition Assessments, Multifamily Buildings.

(c) The Department may consider for acceptance reports prepared according to other standards which are not specifically named above in subsection (b) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(d) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The PCA report should also include a statement that the person or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section. The PCA should be signed and dated by the report provider not more than six (6) months prior to the date of the application.

*§1.37.Reserve for Replacement Rules and Guidelines.*

(a) General Provisions. The Department will require Developments to provide regular maintenance to keep housing sanitary, safe and decent by maintaining a reserve for replacement in accordance with §2306.186 Texas Government Code. The reserve must be established for each unit in a Development of 25 or more rental units, regardless of the amount of rent charged for the unit. The Department shall, through cooperation of its divisions responsible for asset management and compliance, ensure compliance with this section.

(b) The First Lien Lender shall maintain the reserve account through an escrow agent acceptable to the First Lien Lender to hold reserve funds in accordance with an executed escrow agreement and the rules set forth in this section and §2306.186 Texas Government Code.

(1) Where there is a First Lien Lender other than the Department or a Bank Trustee as a result of a bond indenture or tax credit syndication, the Department shall:

(A) Be a required signatory party in all escrow agreements for the maintenance of reserve funds;

(B) Be given notice of any asset management findings or reports, transfer of money in reserve accounts to fund necessary repairs, and any financial data and other information pursuant to the oversight of the Reserve Account within thirty (30) days of any receipt or determination thereof; and

(C) Subordinate its rights and responsibilities under the escrow agreement, including those described in this subsection, to the First Lien Lender or Bank Trustee through a subordination agreement subject to its ability to do so under the law and normal and customary limitations for fraud and other conditions contained in the Department's standard subordination clause agreements as modified from time to time, to include subsection (c) of this section.

(2) The escrow agreement and subordination agreement, if applicable, shall further specify the time and circumstances under which the Department can exercise its rights under the escrow agreement in order to fulfill its obligations under §2306.186 Texas Government Code and as described in this section.

(3) Where the Department is the First Lien Lender and there is no Bank Trustee as a result of a bond indenture or tax credit syndication or where there is no First Lien Lender but the allocation of funds by the Department and §2306.186 Texas Government Code requires that the Department oversee a Reserve Account, the Owner shall provide at their sole expense for appointment of an escrow agent acceptable to the Department to act as Bank Trustee as necessary under this section. The Department shall retain the right to replace the escrow agent with another Bank Trustee or act as escrow agent at a cost plus fee payable by the Owner due to breach of the escrow agent's responsibilities or otherwise with thirty (30) days prior notice of all parties to the escrow agreement.

(c) If the Department is not the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet a signed certification by the First Lien Lender including:

(1) Reserve for replacement requirements under the first lien loan agreement;

(2) Monitoring standards established by the First Lien Lender to ensure compliance with the established reserve for replacement requirements; and

(3) A statement by the First Lien Lender:

(A) That the Development has met all established reserve for replacement requirements; or

(B) Of the plan of action to bring the Development in compliance with all established reserve for replacement requirements, if necessary.

(d) If the Development meets the minimum unit size described in subsection (a) of this section and the establishment of a Reserve Account for repairs has not been required by the First Lien Lender or Bank Trustee, each Owner receiving Department assistance for multifamily rental housing shall set aside the repair reserve amount as described in subsection (e)(1) - (3) of this section through the date described in subsection (f)(2) of this section through the appointment of an escrow agent as further described in subsection (b)(3) of this section.

(e) If the Department is the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall deposit annually into a Reserve Account through the date described in subsection (f)(2) of this section.

(1) For new construction Developments:

(A) Not less than $150 per unit per year for units one (1) to five (5) years old; and

(B) Not less than $200 per unit per year for units six (6) or more years old.

(2) For rehabilitation Developments:

(A) An amount per unit per year established by the Department's division responsible for credit underwriting based on the information presented in a Property Condition Assessment in conformance with §1.36 of this subchapter; and

(B) Not less than $300 per unit per year.

(3) For either new construction or rehabilitation Developments, the Owner of a multifamily rental housing Development shall contract for a third-party Property Condition Assessment meeting the requirements of §1.36 of this subchapter and the Department will reanalyze the annual reserve requirement based on the findings and other support documentation.

(A) A Property Condition Assessment will be conducted:

(i) At appropriate intervals that are consistent with requirements of the First Lien Lender, other than the Department; or

(ii) At least once during each five-year period beginning with the 11th year after the awarding of any financial assistance for the Development by the Department, if the Department is the First Lien Lender or the First Lien Lender does not require a third-party Property Condition Assessment.

(B) Submission by the Owner to the Department will occur within thirty (30) days of completion of the Property Condition Assessment and must include:

(i) The complete Property Condition Assessment;

(ii) First Lien Lender and/or Owner response to the findings of the Property Condition Assessment;

(iii) Documentation of repairs made as a result of the Property Condition Assessment; and

(iv) Documentation of adjustments to the amounts held in the replacement Reserve Account based upon the Property Condition Assessment.

(f) A Land Use Restriction Agreement or restrictive covenant between the Owner and the Department must require:

(1) The Owner to begin making annual deposits to the reserve account on the later of:

(A) The date that occupancy of the Development stabilizes as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date the property is at least 90% occupied; or

(B) The date that permanent financing for the Development is completely in place as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date when the permanent loan is executed and funded.

(2) The Owner to continue making deposits until the earliest of the following dates:

(A) The date on which the Owner suffers a total casualty loss with respect to the Development;

(B) The date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;

(C) The date on which the Development is demolished;

(D) The date on which the Development ceases to be used as a multifamily rental property; or

(E) The later of:

(i) The end of the affordability period specified by the Land Use Restriction Agreement or restrictive covenant; or

(ii) The end of the repayment period of the first lien loan.

(g) The duties of the Owner of a multifamily rental housing Development under this section cease on the date of a change in ownership of the Development; however, the subsequent Owner of the Development is subject to the requirements of this section.

(h) If the Department is the First Lien Lender with respect to the Development or the First Lien Lender does not require establishment of a Reserve Account, the Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet:

(1) Financial statements, audited if available, with clear identification of the replacement Reserve Account balance and all capital improvements to the Development within the fiscal year;

(2) Identification of costs other than capital improvements funded by the replacement Reserve Account; and

(3) Signed statement of cause for:

(A) Use of replacement Reserve Account for expenses other than necessary repairs, including property taxes or insurance;

(B) Deposits to the replacement Reserve Account below the Department's or First Lien Lender's mandatory levels as defined in subsections (c), (d) and (e) of this section; and

(C) Failure to make a required deposit.

(i) If a request for extension or waiver is not approved by the Department, Department action, including a penalty of up to $200 per dwelling unit in the Development and/or characterization of the Development as Materially Non-Compliant, as defined in §60.1 of this title, may be taken when:

(1) A Reserve Account, as described in this section, has not been established for the Development;

(2) The Department is not a party to the escrow agreement for the Reserve Account;

(3) Money in the Reserve Account:

(A) Is used for expenses other than necessary repairs, including property taxes or insurance; or

(B) Falls below mandatory deposit levels;

(4) Owner fails to make a required deposit;

(5) Owner fails to contract for the third party Property Condition Assessment as required under subsection (e)(3) of this section; or

(6) Owner fails to make necessary repairs, as defined in subsection (k) of this section.

(j) On a case by case basis, the Department may determine that the money in the Reserve Account may:

(1) Be used for expenses other than necessary repairs, including property taxes or insurance, if:

(A) Development income before payment of return to Owner or deferred developer fee is insufficient to meet operating expense and debt service requirements; and

(B) The funds withdrawn from the Reserve Account are replaced as cashflow after payment of expenses, but before payment of return to Owner or developer fee is available;

(2) Fall below mandatory deposit levels without resulting in Department action, if:

(A) Development income after payment of operating expenses, but before payment of return to Owner or deferred developer fee is insufficient to fund the mandatory deposit levels; and

(B) Subsequent deposits to the Reserve Account exceed mandatory deposit levels as cashflow after payment of operating expenses, but before payment of return to Owner or deferred developer fee is available until the Reserve Account has been replenished to the mandatory deposit level less capital expenses to date.

(k) The Department or its agent may make repairs to the Development if the Owner fails to complete necessary repairs indicated in the submitted Property Condition Assessment or identified by physical inspection. Repairs may be deemed necessary if the Development is notified of the Owner's failure to comply with federal, state and/or local health, safety, or building code.

(1) Payment for necessary repairs must be made directly by the Owner or through a replacement Reserve Account established for the Development under this section.

(2) The Department or its agent will produce a Request for Bids to hire a contractor to complete and oversee necessary repairs.

(l) This section does not apply to a Development for which the Owner is required to maintain a Reserve Account under any other provision of federal or state law.

**Attachment B: Preamble and Proposed Repeal of §§1.31 – 1.37**

The Texas Department of Housing and Community Affairs (the "Department") adopts the repeal of 10 TAC Chapter 1, Subchapter B, §§1.31 – 1.37, concerning the General Provisions, Underwriting Rules and Guidelines, Market Analysis Rules and Guidelines, Appraisal Rules and Guidelines, Environmental Site Assessment Rules and Guidelines, Property Condition Assessment Guidelines, and Reserve for Replacement Rules and Guidelines, without changes to the proposal as published in the September 24, 2010 issue of the *Texas Register* (35 Tex Reg 8565).

Public hearings to receive input on the proposed rules were held from September 29, 2010 to October 15, 2010 and written comments on the proposed repeal were accepted by mail, e-mail, and facsimile from September 24, 2010 to October 25, 2010. No comments were received concerning the proposed repeal.

The Board approved the final order adopting this repeal on November 10, 2010.

The repeal of these sections is adopted pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

§1.31. General Provisions.
§1.32. Underwriting Rules and Guidelines.
§1.33. Market Analysis Rules and Guidelines.
§1.34. Appraisal Rules and Guidelines.
§1.35. Environmental Site Assessment Rules and Guidelines.
§1.36. Property Condition Assessment Guidelines.
§1.37. Reserve for Replacement Rules and Guidelines.

**MULTIFAMILY FINANCE DIVISION**
**BOARD REPORT ITEM**
**November 10, 2010**

Presentation of the Status of Applications Awarded in the Housing Tax Credit Exchange Program.

## Background

Staff is pleased to report that eighty-four of the remaining eighty-five awards have closed as of the publication of this presentation. The last remaining current award is scheduled to close on October 27, 2010. Two awards were rescinded and are addressed in a separate agenda item.

Of the eighty-four transactions that have closed, three have closed into escrow; these transactions are awaiting final closing with USDA. Staff has been advised that the USDA state office is anticipating final approval from the USDA national office soon but a firm closing date has not yet been set. Closing is anticipated prior to the American Recovery and Reinvestment Act's December 31, 2010 deadline.

Currently $569,850,535.00 or 95.92% of the total Exchange funds have been committed. The eighty-four properties represent 7,684 housing units. The remaining $16,341,501 is anticipated to be awarded by December 1, 2010 and is addressed in a separate agenda item. If all funds are not awarded, the funds will be returned to the U.S. Treasury Department on December 31, 2010.

As can be expected, the Exchange Program has been closely monitored by the U.S. Treasury Department and other Federal entities. On September 16th and 17th the Treasury Department performed an on-site audit of the Exchange Program. The results of the audit were very positive with only one item cited. The Treasury Department requested the return of extension fees to the subawardees. Staff is currently working to return the funds to each of the subawardees.

In September the Office of the Inspector General of the U.S. Treasury Department (OIG) performed an evaluation of the Exchange Program. The basis of the evaluation was to ensure management's accountability, control and oversight of the Exchange funds. As a result of this inquiry, staff created and implemented a new monthly report in order to better monitor the construction completion and capital placement for each transaction (see attached). The monthly reports are due to the Department by the 5th business day following the end of each month. The first reports were due to the Department on October 5th. An aggregate report was compiled with the requested information and provided to the OIG's office. Staff will continue to provide the OIG the report on a monthly basis. The monthly report and the aggregate report are attached for your information.

Additionally, the Treasury Department requires a quarterly progress report to be submitted by each subawardee by the 5th business day following the end of the quarter (see attached). The information provided in those reports are compiled and submitted to the Treasury Department by the 10th business day following the end of each quarter. The report was submitted to the Treasury Department and is attached.

All developments awarded AARA Section 1602 Exchange funds that have not expended and disbursed all of the Exchange funds by December 31, 2010 must have paid or incurred at least 30% of the development's total adjusted basis in land and depreciable property. This is known as the "30% Test". Staff has posted the 30% Test instructions and required certifications to the Exchange website and is working with the development owners and their accountants to ensure compliance with the required report. The deadline for submission of the report to the Department is December 15, 2010. If a development does not meet the 30% test as of December 31, 2010, all funds that have been drawn to date must be returned to the Treasury Department. Failure to meet the test is considered an Event of Recapture and will result in forfeiture of the award by the development owner. The Treasury Department will not extend the deadline nor will any exceptions be made. The Department anticipates that all Exchange subawardees will meet this test.

Staff will continue to report the status of the Exchange program application to the Board on a monthly basis and advising the Board of any issues that need Board resolution.

**MONTHLY TDHCA EXCHANGE FUNDS DRAWN AND PERCENTAGE CONSTRUCTION COMPLETION STATUS REPORT**

| | |
|---|---|
| **PROJECT NAME:** | |
| **DEVELOPMENT OWNER'S NAME:** | |
| **CONTACT PERSON:** | |
| **PHONE NUMBER:** | |
| **EMAIL ADDRESS:** | |

**INSTRUCTIONS:**
Insert the total amount of each funding source and the amount of funds drawn for the development. Funding sources include the 1602 Exchange funds, additional debt and equity. Insert information in the yellow boxes only.

| | SOURCE OF FUNDS ANALYSIS | TOTAL AMOUNT OF SOURCE | AMOUNT DRAWN TO DATE | PERCENTAGE OF TOTAL |
|---|---|---|---|---|
| | | | | |
| **SOURCE A:** | **EXCHANGE SUBAWARD** | $ - | $ - | #DIV/0! |
| **SOURCE B:** | **CONVENTIONAL LENDER** | $ - | $ - | #DIV/0! |
| **SOURCE C:** | **TDHCA HOME LENDER** | $ - | $ - | #DIV/0! |
| **SOURCE D:** | | $ - | $ - | #DIV/0! |
| **SOURCE E:** | | $ - | $ - | #DIV/0! |
| **SOURCE F:** | | $ - | $ - | #DIV/0! |
| **TOTAL** | | **$ -** | **$ -** | **#DIV/0!** |

| | |
|---|---|
| **CONSTRUCTION COMPLETION PERCENTAGE** | 0% |
| **AS OF DATE:** | January 0, 1900 |

| | |
|---|---|
| **GROUND BREAKING DATE:** | |
| **ANTICIPATED GRAND OPENING DATE:** | |

**DEVELOPMENT OWNER CERTIFICATION:** Under penalty of perjury, I declare that I have examined the information above and, to the best of my knowledge , it is true, correct, and complete. I declare that I am an authorized official for the subawardee who is authorized to submit this information on behalf of the subawardee.

| | | | |
|---|---|---|---|
| Name | | Title | |
| Phone | | Email | |
| Signature | | Date signed | |

**TDHCA EXCHANGE PROGRAM**
**MONTHLY STATUS REPORT**
**PORTFOLIO LEVEL - AS OF 9.30.10**

| 09 Exchange Number | Deal Name | Closing Date | Units | City | Subaward Amount | Total Amount of All Sources of Funds | % of All Funds Expended | Sept 2010 Construction Completion Percentage | Ground Breaking Date | Anticipated Grand Opening Date | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 09350 | Tremont Apartments | 7.22.10 | 112 | Killeen, TX | $ 10,224,660.00 | $12,779,660.00 | 11.90% | 1.00% | 10.15.10 | 10.31.11 | |
| 09351 | Tierra Point | 6.11.10 | 80 | Karnes City, TX | $ 8,597,850.00 | $12,203,907.00 | 13.39% | 29.00% | 8.19.10 | 6.15.11 | |
| 09352 | Heights at Coral | 7.2.10 | 80 | Kingsville, TX | $ 5,755,096.00 | $9,955,096.00 | 13.03% | 11.00% | NA | Fall 2011 | |
| 09353 | Hyatt Manor I and II Apartments | 9.28.10 - Escrow | 65 | Gonzales, TX | $ 2,551,331.00 | $6,380,554.00 | 0.00% | 0.00% | 11.15.10 | 7.15.11 | Closed into Escrow - USDA deal |
| 09354 | Arrowsmith | 6.29.10 | 70 | Corpus Christi, TX | $ 3,755,601.00 | $5,055,601.00 | 58.90% | 6.00% | | | |
| 09356 | Legacy Villas | 7.23.10 | 64 | Eagle Pass, TX | $ 8,100,000.00 | $9,544,103.00 | 11.30% | 5.00% | 8.9.10 | 3.9.11 | |
| 09357 | Weslaco Apartments | 7.13.10 | 120 | Weslaco, TX | $ 10,021,149.00 | $10,721,149.00 | 11.97% | 2.00% | 8.27.10 | 2.15.11 | |
| 09901 | Las Palmas Gardens Apartments | 10.5.10 | 100 | San Antonio, TX | $ 6,223,846.00 | $8,014,846.00 | 0.00% | 0.00% | 10.27.10 | 11.1.11 | |
| 09902 | Oak Tree Village | 3.19.10 | 36 | Dickinson, TX | $ 3,197,117.00 | $4,552,114.00 | 100.00% | 100.00% | NA | NA | |
| 09903 | West End Baptist Manor Apartments | 10.5.10 | 50 | San Antonio, TX | $ 3,198,456.00 | $4,106,441.00 | 0.00% | 0.00% | 10.27.10 | 11.1.11 | |
| 09905 | Aurrora Meadows | 6.29.10 | 76 | Eagle Pass, TX | $ 9,642,000.00 | $11,308,996.00 | 19.54% | 14.00% | 7.8.10 | 2.8.11 | |
| 09906 | 377 Villas | 12.31.09 | 76 | Brownwood, TX | $ 5,955,888.00 | $8,555,888.00 | 100.00% | 100.00% | 4.1.08 | 6.1.09 | |
| 09907 | Melbourn Apartments | 4.29.10 | 110 | Alvin, TX | $ 12,250,999.00 | $16,223,503.00 | 31.48% | 29.00% | 8.10.10 | 6.1.11 | |
| 09910 | Lexington Apartments | 7.9.10 | 80 | Angelton, TX | $ 2,997,690.00 | $4,423,558.00 | 27.52% | 21.00% | 9.7.10 | 7.31.11 | |
| 09911 | Trinity Gardens | 7.7.10 | 76 | Liberty, TX | $ 6,943,395.00 | $10,295,391.00 | 18.73% | 6.00% | 8.25.10 | 7.31.11 | |
| 09912 | Wentworth Apartments | 4.28.10 | 90 | Atascocita, TX | $ 9,757,269.00 | $14,038,269.00 | 26.86% | 15.00% | 6.12.10 | 3.5.11 | |
| 09913 | Villas on Raiford | 8.19.10 | 180 | Carrollton, TX | $ 10,542,031.00 | $19,596,731.00 | 24.42% | 2.00% | 9.13.10 | 6.30.11 | |
| 09914 | Stoneleaf at Dalhart | 3.26.10 | 76 | Dalhart, TX | $ 6,150,599.00 | $7,400,599.00 | 37.00% | 41.00% | 5.10.10 | 6.1.11 | |
| 09915 | Jackson Village | 4.26.10 | 96 | Lake Jackson, TX | $ 8,009,337.00 | $9,709,336.00 | 30.74% | 35.36% | 5.1.10 | 5.1.11 | |
| 09916 | HVM Mid-Town Apartments | 7.14.10 | 54 | Tomball, TX | $ 2,549,514.00 | $5,082,668.00 | 32.54% | 8.00% | 9.1.10 | 5.1.11 | |
| 09917 | HVM Alta Vista Apartments | 7.14.10 | 64 | Marble Falls, TX | $ 2,936,283.00 | $5,765,500.00 | 20.36% | 2.00% | 10.5.10 | 6.30.11 | |
| 09918 | Gardens at Clearwater | 1.29.10 | 80 | Kerrville, TX | $ 6,989,490.00 | $8,489,490.00 | 56.04% | 72.00% | 2.6.10 | 12.26.10 | |
| 09919 | Premier on Woodfair | 7.9.10 | 408 | Houston, TX | $ 10,781,101.00 | $14,500,000.00 | 30.69% | 20.00% | 7.19.10 | 8.31.11 | |
| 09920 | Anson Park Seniors | 2.22.10 | 80 | Abilene, TX | $ 7,518,709.00 | $8,605,419.00 | 47.59% | 58.00% | 3.22.10 | TBD | |
| 09921 | Oak Manor/Oak Village | 4.7.10 | 229 | San Antonio, TX | $ 12,171,481.00 | $23,884,675.00 | 45.96% | 23.00% | 4.7.10 | 12.31.11 | |
| 09922 | Park View Terrace | 6.11.10 | 100 | Pharr, TX | $ 9,498,011.00 | $11,508,011.00 | 20.26% | 22.00% | NA | Summer 2011 | |
| 09923 | Villas at Beaumont | 5.7.10 | 36 | McAllen, TX | $ 3,367,917.00 | $5,070,917.00 | 32.81% | 43.00% | NA | Summer 2011 | |
| 09924 | Meaghan Point | 5.26.10 | 80 | Elsa, TX | $ 10,164,292.00 | $12,464,457.00 | 31.61% | 26.00% | 6.15.10 | TBD | |
| 09925 | Suncrest | 6.15.10 | 100 | El Paso, TX | $ 3,362,746.00 | $6,228,529.00 | 51.70% | 5.00% | 8.24.10 | 5.1.11 | |
| 09926 | Highland Manor | 2.23.10 | 141 | LaMarque, TX | $ 11,138,884.00 | $14,208,584.00 | 74.01% | 76.00% | 12.18.09 | TBD | |
| 09927 | Carpenter's Point | 3.15.10 | 150 | Dallas, TX | $ 11,321,332.00 | $15,249,805.00 | 50.24% | 65.00% | 3.15.10 | 3.15.11 | |
| 09928 | Heritage Park Vista | 3.26.10 | 140 | Ft. Worth, TX | $ 10,707,151.00 | $14,051,151.00 | 39.92% | 32.00% | 4.1.10 | 3.31.11 | |
| 09929 | Buena Vida Apartments | 7.13.10 | 100 | Corpus Christi, TX | $ 7,532,749.00 | $9,462,975.00 | 15.06% | 5.00% | | | |
| 09930 | Creekside Villas Senior Village | 2.3.10 | 144 | Buda, TX | $ 12,055,533.00 | $17,640,533.00 | 54.16% | 56.00% | 2.15.10 | 3.1.10 | |
| 09931 | Montgomery Meadows | 3.19.10 | 48 | Huntsville, TX | $ 4,519,862.00 | $5,173,462.00 | 58.34% | 75.00% | 3.19.10 | 1.1.11 | |
| 09932 | Constitution Court | 5.27.10 | 108 | Copperas Cove, TX | $ 8,838,615.00 | $12,838,615.00 | 21.66% | 14.00% | 6.8.10 | 3.1.11 | |
| 09934 | Harris Manor | 6.21.10 | 201 | Pasadena, TX | $ 6,414,471.00 | $10,871,285.00 | 59.67% | 60.00% | 4.1.09 | NA | |
| 09936 | Lakeview Apartments | 7.21.10 | 140 | Tyler, TX | $ 12,169,238.00 | $15,040,238.00 | 10.38% | 2.00% | 10.11.10 | 10.31.11 | |
| 09937 | Cambridge Crossing | 2.12.10 | 60 | Corsicana, TX | $ 5,010,115.00 | $6,343,462.00 | 67.86% | 92.00% | 3.24.10 | 12.1.10 | |
| 09939 | Vista Bonita Apartments | 5.19.10 | 118 | Houston, TX | $ 10,822,758.00 | $14,092,988.00 | 31.58% | 16.00% | 6.7.10 | 5.13.11 | |
| 09940 | Crowley Fountainhead St. Charles | 6.29.10 | 52 | Crowley, TX | $ 2,096,644.00 | $4,011,999.95 | 54.74% | 55.00% | 7.20.10 | 3.1.11 | |
| 09941 | Residences at Stalcup | 5.4.10 | 92 | Fort Worth, TX | $ 7,279,740.00 | $10,383,740.00 | 50.85% | 32.00% | 5.15.10 | 12.31.10 | |
| 09942 | Southern View Apartments | 2.4.10 | 48 | Ft. Stockton, TX | $ 3,807,300.00 | $4,908,000.00 | 92.45% | 100.00% | 2.10.10 | 10.27.10 | |
| 09943 | Leona Apartments | 5.20.10 | 40 | Uvalde, TX | $ 1,148,900.00 | $1,553,197.00 | 90.07% | 75.00% | | | |
| 09944 | Heritage Square | 5.20.10 | 50 | Texas City, TX | $ 3,058,062.00 | $3,942,476.00 | 71.38% | 54.00% | | | |
| 09945 | Park Place Apartments | 5.20.10 | 60 | Cleveland, TX | $ 4,301,518.00 | $5,092,524.00 | 68.39% | 60.00% | | | |
| 09946 | Cedar Street Apartments | 5.7.10 | 48 | Browfield, TX | $ 3,883,800.00 | $4,883,800.00 | 52.51% | 65.00% | 5.24.10 | 2.14.11 | |
| 09947 | Mineral Wells Pioneer Crossing | 2.15.10 | 80 | Mineral Wells, TX | $ 5,300,934.00 | $8,273,007.00 | 57.00% | 75.00% | 3.7.10 | 2.1.11 | |
| 09948 | Park Ridge | 6.28.10 | 64 | Llano, TX | $ 5,645,838.00 | $7,720,838.00 | 23.30% | 32.00% | 7.1.10 | 7.1.11 | |

**TDHCA EXCHANGE PROGRAM**
**MONTHLY STATUS REPORT**
**PORTFOLIO LEVEL - AS OF 9.30.10**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 09949 | Hampton Villages | 3.4.10 | 76 | Pampa, TX | $ 10,001,457.00 | $11,429,217.00 | 29.11% | 48.00% | 3.31.10 | TBD | |
| 09951 | Canyons Retirement Community | | 111 | Amarillo, TX | $ 7,899,892.00 | | | | | | Closing date set for 10.27.10 |
| 09952 | Villages at Snyder | 3.12.10 | 80 | Snyder, TX | $ 9,277,302.00 | $10,550,507.00 | 13.43% | 21.00% | 5.31.10 | TBD | |
| 09953 | Gholson Hotel | 6.29.10 | 50 | Ranger, TX | $ 3,028,922.00 | $3,028,922.00 | 62.71% | 3.00% | | | |
| 09955 | Oakwood Apartments | 9.29.10 | 48 | Brownwood, TX | $ 2,123,128.00 | $3,663,987.49 | 50.51% | 51.00% | 9.30.10 | 6.30.11 | |
| 09956 | Abilene Seniors Apartments | 8.25.10 | 92 | Abilene, TX | $ 8,668,329.00 | $10,634,614.00 | 9.86% | 9.86% | 9.1.10 | 12.31.11 | |
| 09958 | Crestmoor Apartments | 6.24.10 | 68 | Burleson, TX | $ 3,041,202.00 | $4,256,291.00 | 44.66% | 48.00% | 7.1.10 | 3.1.11 | |
| 09961 | Lincoln Terrace | 6.15.10 | 72 | Fort Worth, TX | $ 7,894,851.00 | $10,674,851.00 | 22.90% | 16.00% | 6.21.10 | 7.1.11 | |
| 09963 | Hacienda Del Sol | 6.22.10 | 55 | Dallas, TX | $ 8,643,534.00 | $12,013,401.19 | 46.55% | 63.00% | 7.1.10 | 3.15.11 | |
| 09965 | Peachtree Seniors | 9.22.10 | 144 | Balch Springs, TX | $ 14,834,619.00 | $18,882,619.00 | 15.14% | 1.00% | 10.1.10 | 11.1.11 | |
| 09966 | Turner Street | 6.16.10 | 60 | Palestine, TX | $ 4,840,000.00 | $6,000,000.00 | 26.02% | 24.00% | 6.1.10 | 7.1.11 | |
| 09967 | Millie Street Apartments | 5.3.10 | 60 | Longview, TX | $ 4,800,000.00 | $6,100,000.00 | 30.01% | 28.00% | 5.14.10 | 6.15.11 | |
| 09968 | Arbor Pines | 7.20.10 | 76 | Orange, TX | $ 6,725,114.00 | $10,288,144.00 | 16.75% | 5.00% | 8.25.10 | 7.31.11 | |
| 09970 | Lufkin Apartments | 7.22.10 | 80 | Lufkin, TX | $ 6,094,394.00 | $8,890,550.00 | 9.86% | 3.00% | 8.26.10 | 8.1.11 | |
| 09971 | Stone Hearst Seniors | 6.10.10 | 36 | Beaumont, TX | $ 4,176,653.00 | $4,889,253.00 | 12.58% | 10.00% | 7.26.10 | TBD | |
| 09973 | Senior Villages at Huntsville | 5.21.10 | 36 | Huntsville, TX | $ 4,023,653.00 | $4,541,903.00 | 10.25% | 6.00% | 8.16.10 | TBD | |
| 09974 | Courtwood Apts | 9.30.10 | 50 | Eagle Lake, TX | $ 2,052,965.00 | $4,741,411.48 | 24.36% | 0.00% | 10.15.10 | 10.15.11 | |
| 09976 | Trebah Vilalges | 3.5.10 | 129 | Katy, TX | $ 9,392,459.00 | $12,926,209.00 | 46.04% | 46.00% | 3.8.10 | TBD | |
| 09977 | Chelsea Senior Community | 5.19.10 | 150 | Houston, TX | $ 15,066,382.00 | $20,504,143.00 | 22.76% | 7.00% | 8.2.10 | 10.1.11 | |
| 09978 | Floral Gardens | 7.28.10 | 100 | Houston, TX | $ 11,786,975.00 | $14,513,057.00 | 17.97% | 5.00% | 9.1.10 | 11.1.11 | |
| 09981 | Casa Brazoria | 5.27.10 | 36 | Clute, TX | $ 7,448,709.00 | $10,920,882.00 | 22.30% | 9.00% | 7.6.10 | 3.21.11 | |
| 09982 | Sierra Meadows | 6.30.10 | 90 | Houston, TX | $ 9,104,580.00 | $11,407,777.00 | 22.51% | 10.00% | 7.20.10 | 8.1.11 | |
| 09983 | Brazos Bend Villas | 7.7.10 | 120 | Fort Bend, TX | $ 11,555,478.00 | $18,030,598.00 | 19.27% | 1.00% | 10.1.10 | 9.30.11 | |
| 09986 | Greenhouse | 6.30.10 | 140 | Houston, TX | $ 12,426,601.00 | $15,723,255.00 | 30.69% | 10.58% | 7.6.10 | 3.1.11 | |
| 09987 | Sante Fe Seth Heritage Crossing | 7.9.10 | 72 | Santa Fe, TX | $ 6,051,451.00 | $2,200,000.00 | 14.89% | 8.16% | 7.10.10 | 7.10.11 | |
| 09989 | Champion Homes at Bay Walk | 9.28.10 | 192 | Galveston, TX | $ 10,987,246.00 | $22,933,685.00 | 0.00% | 0.00% | 10.7.10 | 9.1.11 | |
| 09990 | San Gabriel | 6.2.10 | 76 | Liberty Hill, TX | $ 6,028,000.00 | $9,488,000.00 | 20.94% | 17.00% | 6.3.10 | 6.3.11 | |
| 09992 | Northgate Apts and Rhomberg Apts | 9.28.10 - Escrow | 60 | Burnet, TX | $ 2,712,282.00 | $5,347,438.00 | 0.00% | 0.00% | 11.15.10 | 7.15.11 | Closed into Escrow - USDA deal |
| 09993 | Malibu Apartments | 6.10.10 | 476 | Austin, TX | $ 15,400,000.00 | $34,603,400.00 | 54.01% | 3.00% | 7.30.10 | 12.30.11 | |
| 09994 | Holland House | 6.21.10 | 68 | Holland, TX | $ 3,622,969.00 | $5,341,255.00 | 33.90% | 19.00% | 7.12.10 | 10.15.11 | |
| 09995 | Village Place Apartments | 9.30.10 | 32 | Lorena, TX | $ 1,747,030.00 | $2,693,151.42 | 49.51% | 49.51% | 10.20.10 | 7.30.11 | |
| 09996 | Whispering Oaks | 8.27.10 | 24 | Goldthwaite, TX | $ 1,386,205.00 | $2,084,577.34 | 47.80% | 48.00% | 9.29.10 | 5.30.11 | |
| 09997 | Autumn Villas | 9.29.10 | 16 | Lorena, TX | $ 903,082.00 | $1,363,233.83 | 46.96% | 47.00% | 10.20.10 | 7.30.11 | |
| 09998 | Prairie Village Apartments | 9.30.10 - Escrow | 24 | Rogers, TX | $ 1,279,003.00 | $2,023,000.00 | 0.00% | 0.00% | 11.10.10 | 8.1.11 | Closed into Escrow - USDA deal |
| 09999 | Cherrywood Apartments | 9.30.10 | 44 | West, TX | $ 2,458,658.00 | $5,119,531.79 | 30.09% | 0.00% | 10.15.10 | 10.15.11 | |
| | | | 7795 | | $ 577,750,427.00 | | | | | | |
| | | | | REMAINING | $ 16,341,501.00 | | | | | | |
| | | | | | $ 594,091,928.00 | | | | | | |

Exchange # __________

QUARTERLY PROGRESS REPORT

Under Section 1602 of the American Recovery and Reinvestment Act of 2009 (Section 1602), state housing credit agencies are eligible to receive Section 1602 Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocation for 2009. The state housing credit agency uses the funds to make subawards. The Section 1602 program temporarily fills the gap left by a diminished demand for low-income housing tax credits. The payments result in the creation and retention of jobs and in an increase in the affordable housing supply.

The Recovery Act encourages accountability and transparency in the use of funds. This quarterly progress report is required. To complete the quarterly progress report, enter information for each subaward and submit the report to teresa.shell@tdhca.state.tx.us and lisa.fehr@tdhca.state.tx.us within 5 business days after the end of each quarter. The report is cumulative. Quarters end on March 31, June 30, September 30 and December 31.

The following definitions are to used to complete the report:

**Date of subaward** – date on which the state agency executed a legally binding written agreement with the entity receiving a subaward.

**Amount of subaward** – dollar amount (rounded to the nearest dollar) of the subaward.

**Amount of subaward** – dollar amount (rounded to the nearest dollar) of the subaward.

**Recipient entity EIN** – nine digit employee identification number of subawardee. Format: xx-xxxxxxx. If subawardee does not have an EIN, do not enter a social security number.

**Name of project** – name by which the housing development is commonly known.

**BIN** – one or more building identification numbers. If the building has low income housing tax credits, use the same number or numbers.

**Brief description of project** – narrative summary of the project's characteristics, such as information about the building design, occupants, energy efficiency, location, amenities, purpose, any unique features.

**Project completion status** – condition of the development at the time of subaward. Choose from: NB for not begun, ST for stalled, UC for under construction, CN for completed not occupied, CO for completed and occupied.
Project city/county – name of city in which the development is located; or name of county in which the development is located, if the development is in an unincorporated area.

**Project state** – name of state in which the development is located.

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**Project zip code** – zip code in which the development is located.

**Number of construction jobs to be created or retained** – estimated number of full-time equivalent jobs directly involved in constructing or rehabilitating the development. Direct jobs are those created or retained in the project, not by suppliers who make the materials used in the project.

**Number of non-construction jobs to be created or retained** - estimated number of full-time equivalent jobs directly involved in operating the housing. Direct jobs are those created or retained in the project, not by suppliers who make the materials used in the project.

**Number of total housing units newly** constructed – number of housing units to be built at the site as a result of the subaward.

**Number of total housing units rehabilitated** – number of housing units to be rehabilitated at the site as a result of the subaward.

**Number of low-income housing units newly constructed** – of the housing units to be built at the site, the number to be occupied by qualified low-income families or individuals.

**Number of low-income housing units rehabilitated** - of the housing units to be rehabilitated at the site, the number to be occupied by qualified low-income families or individuals.

Exchange # __________

| QUARTERLY PROGRESS REPORT | |
| --- | --- |
| Reporting Contact Name | |
| Title | |
| Contact Phone Number | |
| Contact Email | |
| Name of Recipient Entity (Development Owner): | |
| Name of Project: | |
| BIN: | |
| Recipient Entity EIN | |
| Amount of Subaward: | |
| Date of Subaward: | |
| Brief Description of Development: | |
| Location of Development (City, County, State and Zip Code): | |
| Project Completion Status | |
| Number of Construction Jobs to be Created or Retained: | |
| Number of Non-Construction Jobs Created or Retained: | |
| Number of Non-Construction Jobs Retained: | |
| Number of Total Housing Units Newly Constructed: | |
| Number of Total Housing Units Rehabilitated: | |
| Number of Low-Income Housing Units Newly Constructed: | |
| Number of Low-Income Housing Units Rehabilitated: | |

OWNER

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By: ______________________________
[Name], [Title]

**Section 1602 - Quarterly Progress Report**

Under Section 1602 of the American Recovery and Reinvestment Tax Act of 2009 (Section 1602), state housing credit agencies are eligible to receive Section 1602 Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocat

The Recovery Act encourages accountability and transparency in the use of funds. This quarterly progress report is in response; it is required under the Grant Terms and Conditions, item 8. To complete the quarterly progress report, enter information for

| | | | |
|---|---|---|---|
| Agency Name | TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS | Contact Phone Number | 512-936-7834 |
| Contact Person | TERESA SHELL | Contact Email | TERESA.SHELL@TDHCA.STATE.TX.US |
| Title | HTC EXCHANGE ADMINISTRATOR | Date | 10.14.10 |

Indicate the time period covered by this Quarterly Progress Report:

○ Apr 2009 - Sep 2009　○ Jan 2010 - Mar 2010　● Jul 2010 - Sep 2010

○ Oct 2009 - Dec 2009　○ Apr 2010 - Jun 2010　○ Oct 2010 - Dec 2010

| | Date of subaward | Amount of subaward | Name of recipient entity | Recipient entity EIN | Name of project | BIN | Brief description of project | Project completion status | Project city/county | Project state | Project zip code | Number of construction jobs to be created or retained | Number of non-construction jobs to be created or retained | Number of total housing units newly constructed | Number of total housing units rehabilitated | Number of low-income housing units newly constructed | Number of low-income housing units rehabilitated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 12.31.09 | 5,955,888.00 | 377 VILLAS OF BROWNWOOD APARTMENTS | 26-1126819 | 377 VILLAS APARTMENTS | 07-19401 TO 07-19412 | 76 UNITS, FAMILY | CO | BROWNWOOD, WOOD | TX | 76804 | 3 | 3 | 76 | 0 | 73 | 0 | 6 |
| 2 | 1.29.10 | 6,989,490.00 | KERRVILLE GARDENS AT CLEARWATER APARTMENTS, LP | 26-3627703 | GARDENS AT CLEARWATER | 08-13501 TO 08-13599 | 80 UNITS, ELDERLY | UC | KERRVILLE/KERR COUNTY | TX | 78028 | 29 | 4 | 80 | 0 | 80 | 0 | |
| 3 | 2.3.10 | 12,055,533.00 | DDC CREEKSIDE VILLAS, Ltd. | 26-3362430 | CREEKSIDE VILLAS SENIOR VILLAGE | 08-25301 TO 08-25306 | 144-UNIT MULTIFAMILY PROJECT FOR SENIORS | UC | BUDA/HAYS COUNTY | TX | 78610 | 170 | 17 | 144 | 0 | 144 | 0 | |
| 4 | 2.4.10 | 3,807,300.00 | FORT STOCKTON SOUTHERN VIEW APARTMENTS, LP | 26-3017368 | SOUTHER VIEW APARTMENTS | 08-29901 TO 08-29904 | 48 UNITS, 4 RESIDENTIAL BUILDINGS, SEPARATE CLUBHOUSE/OFFICE, NEW | CO | FORT STOCKTON/PECOS COUNTY | TX | 79735 | 155 | 2 | 48 | 0 | 48 | 0 | |
| 5 | 2.12.10 | 5,010,115.00 | CORSICANA DMA HOUSING, LP | 26-3526816 | CAMBRIDGE CROSSING | 08-26401 TO 08-26420 | 60 RENTAL UNITS OF AFFORDABLE SENIOR HOUSING | UC | CORSICANA/NAVARRO COUNTY | TX | 75110 | 150 | 2 | 60 | 0 | 58 | 0 | |
| 6 | 2.15.10 | 5,300,934.00 | MINERAL WELLS PIONEER CROSSING, LP | 26-4791733 | PIONEER CROSSING AT MINERAL WELLS | 08-15404 TO 08-15499 | 80 UNIT RESIDENTIAL DEVELOPMENT | UC | MINERAL WELLS/PALO PINTO COUNTY | TX | 76067 | 260 | 1 | 80 | 0 | 80 | 0 | |
| 7 | 2.22.10 | 7,518,709.00 | ANSON PARK SENIOR LP | 20-8307759 | ANSON PARK SENIORS | 08-14201 TO 08-14299 | 80 UNIT SENIOR RENTAL HOUSING | UC | ABILENE/TAYLOR COUNTY | TX | 79603 | 100 | 5 | 80 | 0 | 80 | 0 | |
| 8 | 2.23.10 | 11,138,884.00 | HIGHLAND LA MARQUE, LP | 26-3121170 | HIGHLAND MANOR | 08-19801 TO 08-19899 | 141 UNITS, NEW CONSTRUCTION, SENIORS | UC | LA MARQUE/GALVESTON | TX | 77568 | 100 | 4 | 141 | 0 | 134 | 0 | |
| 9 | 3.4.10 | 10,001,457.00 | HAMPTON VILLAGES LP | 20-8307713 | HAMPTON VILLAGES | 09-94101 TO 09-94199 | 76 UNIT SINGLE FAMILY HOME DEVELOPMENT | UC | PAMPA/GRAY COUNTY | TX | 79065 | 100 | 5 | 76 | 0 | 76 | 0 | |
| 10 | 3.5.10 | 9,392,459.00 | TREBAH VILLAGE LP | 27-0792959 | TREBAH VILLAGES | 09-10301 TO 09-10399 | 129 UNIT NEW CONSTRUCTION, SENIOR | UC | KATY.HARRIS COUNTY | TX | 77449 | 100 | 4 | 129 | 0 | 121 | 0 | |
| 11 | 3.12.10 | 9,277,302.00 | BISON COUNTY HOUSING LP | 27-0513326 | VILLAGES AT SNYDER | 09-10501 TO 09-10599 | 80 UNIT INTERGENERATIONAL DEVELOPMENT | UC | SNYDER/SCURRY COUNTY | TX | 79549 | 100 | 5 | 80 | 0 | 80 | 0 | |
| 12 | 3.15.10 | 11,321,332.00 | CARPENTER'S POINT, LP | 26-165385 | CARPENTER'S POINT | 08-20701 TO 08-20705 | 150 UNITS - NEW CONSTRUCTION, ELDERLY | UC | DALLAS/DALLAS COUNTY | TX | 75254 | 30 | 6 | 150 | 0 | 150 | 0 | |
| 13 | 3.19.10 | 3,197,117.00 | COMMUNITY RETIREMENT CENTER OF GALVESTON COUNTY, LP | 26-0677151 | OAK TREE VILLAGE | 07-10301 TO 07-10309 | 36 UNITY SENIOR HOUSING | CO | DICKINSON/GALVERSON COUNTY | TX | 77539 | 0 | 2 | 36 | 0 | 36 | 0 | |
| 14 | 3.19.10 | 4,519,862.00 | MONTGOMERY MEADOWS PHASE II Ltd. | 80-0238119 | MONTGOMERY MEADOWS | 08-25401 TO 08-25499 | 48 UNITS CONSISTING OF FOURPLEX BUILDINGS ON 4.435 ACRES | UC | HUNTSVILLE/WALKER COUNTY | TX | 77340 | 35 | 10 | 48 | 0 | 48 | 0 | |
| 15 | 3.26.10 | 6,150,599.00 | STONELEAF AT DALHART, LP | 26-2745394 | STONELEAF AT DALHART | 08-09101 TO 08-09110 | 76-UNIT MULTIFAMILY PROJECT; NEW CONSTRUCTION; RURAL | UC | DALHART/DALLAM COUNTY | TX | 79022 | 75 | 5 | 76 | 0 | 76 | 0 | |
| 16 | 3.26.10 | 10,707,151.00 | HERITAGE PARK VISTA HOUSING PARTNERS, Ltd. | 26-3335660 | HERITAGE PARK VISTA | 08-23301 TO 08-23306 | 140 NEW CONSTRUCTION UNITS FOR ELDERLY | UC | FORT WORTH/TARRANT COUNTY | TX | 76248 | 225 | 6 | 140 | 0 | 135 | 0 | 1707 |
| 17 | 4.7.10 | 12,171,481.00 | OM/OV, LP | 26-3227731 | OAK MANOR/OAK VILLAGE APARTMENTS | 08-15001 TO 08-15099 | REHAB OF COMBINED 229 MULTIFAMILY UNITS. AT-RISK, URBAN, NON-PROFIT PROJECT. | UC | SAN ANTONIO/BEXAR COUNTY | TX | 78218 | 139 | 8 | 0 | 229 | 0 | 229 | |
| 18 | 4.26.10 | 8,009,337.00 | COMMUNITY RETIREMENT CENTER OF LAKE JACKSON, L.P. | 26-3510578 | JACKSON VILLAGE RETIREMENT CENTER | 08-10101 TO 08-10199 | 96 UNIT NEW CONSTRUCTION SENIORS FACILITY | NB | LAKE JACKSON/BRAZORIA COUNTY | TX | 77566 | 75 | 5 | 96 | 0 | 92 | 0 | |
| 19 | 4.28.10 | 9,757,269.00 | ATAS DEVELOPMENT PARTNERS, LP | 26-1299357 | WENTWORTH APARTMENTS | 07-30001 TO 07-30099 | 90 UNIT SENIOR NEW CONSTRUCTION DEVELOPMENT | UC | ATASCOCITA/HARRIS COUNTY | TX | 77346 | 100 | 5 | 90 | 0 | 90 | 0 | |
| 20 | 4.29.10 | 12,250,999.00 | MELBOURNE DEVELOPMENT PARTNERS, L.P. | 26-0686252 | MELBOURNE SENIOR APARTMENTS | 07-20301 TO 07-20399 | 110 UNIT SENIOR DEVELOPMENT | UC | ALVIN/BRAZORIA | TX | 77511 | 80 | 20 | 110 | 0 | 110 | 0 | |
| 21 | 5.3.10 | 4,800,000.00 | LONGVIEW MILLIE STREET APARTMENTS, LP | 27-0804402 | MILLIE STREET APARTMENTS | 09-26001, 09-26002,09-26003,09-26004 | 60 UNITS, 4 RESIDENTIAL BUILDINGS, SEPARATE CLUB HOUSE/OFFICE, NEW | UC | LONGVIEW/GREGG | TX | 75606 | 155 | 2 | 60 | 0 | 60 | 0 | |
| 22 | 5.4.10 | 7,279,740.00 | STALCUP HOUSING PARTNERS, LTD. | 26-3335639 | RESIDENCES AT STALCUP | 08-29801 TO 08-29806 | REHAB OF 92 UNITS FOR FAMILIES | UC | FORT WORTH/TARRANT COUNTY | TX | 76119 | 125 | 15 | 0 | 92 | 0 | 92 | |
| 23 | 5.7.10 | 3,367,917.00 | THE VILLAS AT BEAUMONT GP, LLC | 26-3571078 | THE VILLAS AT BEAUMONT | 08-15801 TO 08-15899 | 36 UNITS NEW CONSTRUCTION SENIOR HOUSING | UC | MCALLEN/ HIDALGO | TX | 787501 | 60 | 6 | 36 | 0 | 36 | 0 | |
| 24 | 5.7.10 | 3,883,800.00 | BROWNFIELD CEDAR STREET APARENTMENTS, LP | 27-0876785 | CEDAR STREET APARTMENTS | 09-00601,09-00602,09-00603 | 48 UNITS, 3 RESIDENTIAL BUILDINGS, SEPARATE CLUBHOUSE/OFFICE, NEW | UC | BROWNFIELD/TERRY COUNTY | TX | 79316 | 155 | 2 | 48 | 0 | 48 | 0 | |
| 25 | 5.19.10 | 10,822,758.00 | CB TEXAS I, LTD. | 32-0270144 | VISTA BONITA APARTMENTS | 08-29501 TO 08-29517 | 118 UNIT REHAB | UC | HOUSTON | TX | 77017 | 400 | 8 | 0 | 118 | 0 | 118 | |
| 26 | 5.19.10 | 15,066,382.00 | CHELSEA SENIORS I, LLC | 41-2267121 | CHELSEA SENIOR COMMUNITY | 09-13201 TO 09-13204 | 150 UNIT SENIOR HOUSING APARTMENTS | UC | HOUSTON/HARRIS | TX | 77088 | 200 | 18 | 150 | 0 | 150 | 0 | |
| 27 | 5.19.10 | 1,148,900.00 | CHC LEONA APARTMENTS, LLC | 26-3159606 | LEONA APARTMENTS | 08-30201 TO 08-30299 | EXISTING 40 UNIT PROJECT LOW-INCOME FOR FAMILIES TO BE RULLY RENOVATED | UC | UVALDE/UVALDE COUNTY | TX | 78801 | 30 | 2 | 0 | 40 | 0 | 40 | |
| 28 | 5.20.10 | 3,058,062.00 | CHC HERITAGE SQUARE LLC | 26-3159632 | HERITAGE SQUARE APARTMENTS | 08-30301 TO 08-30399 | EXISTING 50 UNIT PROJECT, LOW-INCOME SENIORS LOCATED ON ONE SITE TO BE FULLY RENOVATED | UC | TEXAS CITY, Galveston | TX | 77590 | 100 | 3 | 0 | 50 | 0 | 50 | |
| 29 | 5.20.10 | 4,301,518.00 | CHC PP LLC | 26-3159584 | PARK PLACE APARTMENTS | 08-30401 TO 08-30499 | EXISTING 60 UNIT PROJECT LOW-INCOME SENIORS AND FAMILIES TO BE FULLY RENOVATED | UC | Cleaveland, Liberty | TX | 77327 | 120 | 4 | 0 | 60 | 0 | 60 | |

| | Date of subaward | Amount of subaward | Name of recipient entity | Recipient entity EIN | Name of project | BIN | Brief description of project | Project completion status | Project city/county | Project state | Project zip code | Number of construction jobs to be created or retained | Number of non-construction jobs to be created or retained | Number of total housing units newly constructed | Number of total housing units rehabilitated | Number of low-income housing units newly constructed | Number of low-income housing units rehabilitated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 | 5.21.10 | 4,023,653.00 | SENIOR VILLAGES OF HUNTSVILLE LP | 26-3824284 | SENIOR VILLAGES OF HUNTSVILLE | 09-97301 TO 09-97399 | 36 UNIT SENIOR DEVELOPMENT | UC | HUNTSVILLE/WALKER COUNTY | TX | 77320 | 100 | 6 | 36 | 0 | 36 | 0 |
| 31 | 5.26.10 | 10,164,292.00 | MAEGHAN POINTE, LTD. | 26-3583599 | MAEGHAN POINTE | 08-17601 TO 08-17680 | 80 UNIT AFFORDABLE FAMILY HOUSING DEVELOPMENT | UC | ELSA/HIDALGO | TX | 78543 | 100 | 5 | 80 | 0 | 80 | 0 |
| 32 | 5.27.10 | 8,838,615.00 | CONSTITUTION COURT, LTD. | 30-0498994 | CONSITUTION COURT | 08-25701 TO 08-25799 | MULTIFAMILY APARTMENT NEW CONSTRUCTION DEVELOPMENT CONSISTING OF 9 RESIDENTIAL | UC | COPPERAS COVE/CORYELL COUNTY | TX | 76522 | 50 | 5 | 108 | 0 | 108 | 0 |
| 33 | 5.27.10 | 7,448,709.00 | CASA BRAZORIA I, LTD. | 27-0997140 | CASA BRAZORIA | 09-18801 TO 09-18836 | NEW CONSTRUCTION, 36 SINGLE UNIT MULTIFAMILY PROJECT LOCATED IN CLUTE, BRAZORIA | UC | CLUTE, Brazoria | TX | 77531 | 50 | 1 | 36 | 0 | 36 | 0 |
| 34 | 6.2.10 | 6,028,000.00 | LIBERTY HILL THF HOUSING L.P. | 30-0444138 | SAN GABRIEL CROSSING | 09-31001 TO 09-31099 | 76 UNIT PROPOSED CONSTRUCTION | UC | LIBERTY HILL/WILLIAMSON COUNTY | TX | 78642 | 37 | 3 | 76 | 0 | 76 | 0 |
| 35 | HELD IN ESCROW | 6,094,394.00 | LUFKIN PIONEER CROSSING FOR SENIORS | 27-0776347 | LUFKIN PIONEER CROSSING FOR SENIORS | 09-22801 TO 09-22899 | 80 UNITS FOR SENIOR HOUSING | UC | LUFKIN/ANGELINA COUNTY | TX | 75904 | 10 | 1 | 80 | 0 | 80 | 0 |
| 36 | 6.10.10 | 15,400,000.00 | TMG- TX AUSTIN I LP | 26-4007253 | MALIBU APARTMENTS | 09-15901 TO 09-15999 | REHABILITATION OF 476 APARTMENTS | UC | AUSTIN/TRAVIS COUNTY | TX | 78753 | 10 | 1 | 0 | 476 | 0 | 476 |
| 37 | 6.10.10 | 4,176,653.00 | STONE WAY II LIMITED PARTNERSHIP | 20-4285403 | STONE HEARST SENIORS | 09-10401 TO 09-10418 | 36 UNIT SENIOR DEVELOPMENT | UC | BEAUMONT/JEFFERSON COUNTY | TX | 77703 | 100 | 6 | 36 | 0 | 36 | 0 |
| 38 | 6.11.10 | 9,498,011.00 | PHDC PARKVIEW TERRACE GP, LLC | 26-3570764 | PARKVIEW TERRACE | 08-15101 TO 08-15120 | 100 UNITS, RECONSTRUCTION, FAMILY HOUSING | UC | PHARR/HIDALGO COUNTY | TX | 78577 | 44 | 7 | 100 | 0 | 100 | 0 |
| 39 | 6.11.10 | 8,597,850.00 | TIERRA POINTE, LTD. | 27-1168087 | TIERRA POINTE | 09-19201 TO 09-19207 | NEW CONSTRUCTION, 80 UNIT MULTIFAMILY PROJECT | UC | KARNES COUNTY | TX | 78118 | 100 | 2 | 80 | 0 | 80 | 0 |
| 40 | 6.15.10 | 7,894,851.00 | LINCOLN TERRACE, L.P. | 26-2347822 | LINCOLN TERRACE APARTMENTS | 09-13501 TO 09-13599 | 72 UNIT RECONSTRUCTION PROJECT LOCATED ON 4.337 ACRES IN THE CITY OF FORT WORTH, TARRANT | UC | FORT WORTH/TARRANT COUTNY | TX | 76107 | 20 | 6 | 72 | 0 | 72 | 0 |
| 41 | 6.15.10 | 3,362,746.00 | SOUND PRESERVATION 205 LP | 26-3006598 | SUNCREST APARTMENTS | 08-18201 TO 08-18211 | 100 UNITS [83%S8]; GARDEN-STYLE. | UC | EL PASO, El Paso | TX | 79912 | 35 | 10 | 0 | 100 | 0 | 100 |
| 42 | 6.15.10 | 4,840,000.00 | PALESTINE TURNER STREET APARTMENTS, LP | 27-0804510 | TURNER STREET APARTMENTS | 09-2601, 09-2602, 09-2604 | 60 UNITS, 4 RESIDENTIAL BUILDINGS, SEPARATE CLUB HOUSE/OFFICE, NEW | UC | PALESTINE/ANDERSON COUNTY | TX | 75803 | 155 | 2 | 60 | 0 | 60 | 0 |
| 43 | 6.21.10 | 6,414,471.00 | 2216 HARRIS INVESTORS LLC | 26-3596561 | HARRIS MANOR APARTMENTS | 92-00324 TO 92-00340 | REHABILITATION OF 201 UNITS FOR FAMILY | UC | PASADENA/HARRIS COUNTY | TX | 77506 | 20 | 10 | 0 | 201 | 0 | 193 |
| 44 | 6.21.10 | 3,622,969.00 | HOLLAND APARTMENTS, LTD. | 74-2914533 | HOLLAND HOUSE APARTMENTS | 09-12601 TO 09-12699 | 68 UNIT MULTIFAMILY DEVELOPMENT | UC | HOLLAND/BELL COUNTY | TX | 76534 | 31 | 10 | 0 | 68 | 0 | 68 |
| 45 | 6.22.10 | 8,643,534.00 | GS 360 HOUSING, LLC | 20-4238232 | HACIENDA DEL SOL | 09-22501 TO 09-22599 | NEW CONSTRUCTION-55 UNITS | UC | DALLAS/DALLAS COUNTY | TX | 75217 | 2 | 2 | 0 | 55 | 0 | 55 |
| 46 | 6.24.10 | 3,041,202.00 | CRESTMOOR PARK SOUTH APARTMENTS, LTD. | 37-1576016 | CRESTMOOR PARK SOUTH APARTMENTS | 09-10001 TO 09-10099 | REHABILITATION OF AN EXISTING 68 UNIT MULTIFAMILY COMPLEX | UC | BURLESON/JOHNSON COUNTY | TX | 76028 | 125 | 35 | 0 | 68 | 0 | 68 |
| 47 | 6.28.10 | 5,645,838.00 | PARK RIDGE, LTD. | 42-1739915 | PARK RIDGE APARTMENTS | 08-18101 TO 08-18199 | 64 UNIT PROPOSED CONSTRUCTION | UC | LLANO/LLANO COUNTY | TX | 78643 | 35 | 3 | 64 | 0 | 61 | 0 |
| 48 | 6.29.10 | 3,755,601.00 | CHC ARROWSMITH LLC | 27-0681052 | ARROWSMITH APARTMENTS | 09-15801 TO 09-15808 | EXISTING 70 UNIT PROJECT LOW-INCOME FOR FAMILIES TO BE FULLY RENOVATED | UC | CORPUS CHRISTI, Nueces | TX | 78412 | 100 | 3 | 0 | 70 | 0 | 70 |
| 49 | 6.29.10 | 3,028,922.00 | CHC GHOLSON HOTEL LLC | 27-0681004 | GHOLSON HOTEL | 09-16401 TO 09-16499 | EXISTING 50 UNIT PROJECT, LOW-INCOME SENIORS LOCATED ON ONE SITE TO BE FULLY RENOVATED | UC | RANGER, Eastland | TX | 76470 | 100 | 3 | 0 | 50 | 0 | 50 |
| 50 | 6.29.10 | 9,642,000.00 | AURRORA MEADOWS | 26-0688115 | TAMMYE'S POINT (WILL BE RENAMED AURRORA MEADOWS) | 07-17801 TO 07-17876 | 76 FAMILY UNITS OF AFFORDABLE HOUSING | UC | EXTRA-TERRITORIAL JURISDICTION OF EAGLE PASS/MAVERICK COUNTY | TX | 78852 | 92 | 3 | 76 | 0 | 76 | 0 |
| 51 | 6.29.10 | 2,096,644.00 | CROWLEY FOUNTAINHEAD, L.P. | 74-3248274 | ST.CHARLES PLACE APARTMENTS | 08-29701 TO 08-29707 | RENOVATION OF AN EXISTING 52 UNIT APARTMENT COMPLEX | UC | CROWLEY/TARRANT COUNTY | TX | 76036 | 15 | 0 | 0 | 52 | 0 | 52 |
| 52 | 6.30.10 | 12,426,601.00 | VDC GREENHOUSE, LTD. | 27-0900457 | GREENHOUSE PLACE | 09-26501 TO 09-26599 | NEW CONSTRUCTION OF A 140 UNIT SENIOR PROJECT (URBAN) | UC | HOUSTON/HARRIS COUNTY | TX | 77433 | 1500 | 300 | 140 | 0 | 140 | 0 |
| 53 | 6.30.10 | 9,104,580.00 | SIERRA MEADOWS, LTD. | 27-0941166 | SIERRA MEADOWS | 09-19301 TO 09-19399 | NEW CONSTRUCTION ON 90 UNITS | UC | HOUSTON/HARRIS COUNTY | TX | 77396 | 35 | 6 | 90 | 0 | 90 | 0 |
| 54 | 7.2.10 | 5,755,096.00 | The Heights at Corral GP, LLC | 26-3570274 | Heights at Coral | 09-24501 through 09-24513 | 80 Units, reconstruction, family housing | UC | Kingsville, Kleberg | TX | 78363 | 20 | 7 | 80 | 0 | 80 | 0 |
| 55 | 7.7.10 | 6,943,395.00 | Liberty Trinity Garden Apartment Homes, L.P. | 26-0690228 | Trinity Gardens | 07-25801 through 07-25819 | 76 unit seniors | UC | Liberty, Liberty | TX | 77575 | 20 | 1 | 76 | 0 | 76 | 0 |
| 56 | 7.7.10 | 11,555,478.00 | Brazos Bend Housing II, LP | 27-1083397 | Brazos Bend Villas | 09-23201 through 09-23299 | Rehab of 120 unit apartment units for families | NB | Richmond, Fort Bend | TX | 77469 | 0 | 0 | 0 | 120 | 0 | 120 |
| 57 | 7.9.10 | 2,997,690.00 | NHDC Lexington Square Apartments | 20-8474054 | Lexington Apartments | 07-24601 through 07-24608 | Acq/Rehab of 80 units | UC | Angelton, Brazoria | TX | 77515 | 24 | 12 | 0 | 80 | 0 | 80 |
| 58 | 7.9.10 | 10,781,101.00 | Premier on Woodfair LP | 26-3451662 | Premier on Woodfair | 08-14001 through 08-14099 | 408 Unit Rehab | UC | Houston, Harris | TX | 77036 | 100 | 5 | 0 | 408 | 0 | 390 |
| 59 | 7.9.10 | 6,051,451.00 | Santa Fe SETH-DMA Housing, LLC | 27-0891457 | Sante Fe Seth Heritage Crossing | 09-26701 through 09-26706 | 72 unit senior housing new construction | UC | Santa Fe, Galveston | TX | 77501 | 150 | 2 | 72 | 0 | 72 | 0 |
| 60 | 7.13.10 | 10,021,149.00 | Weslaco Hills Apartments, LP | 27-0987000 | Weslaco Apartments | 09-18001 - 09-18099 | 120 unit multifamily rental housing project to be constructed | UC | Weslaco, Hidalgo | TX | 78596 | 210 | 4 | 120 | 0 | 120 | 0 |
| 61 | 7.13.10 | 7,532,749.00 | RRAH Corpus Christi, LP | 26-3219144 | Buena Vida Apartments | 08-23501 through 08-23599 | 100 Unit Senior Apartment Complex | UC | CORPUS CHRISTI, Nueces | TX | 78405 | 25 | 2 | 100 | 0 | 100 | 0 |
| 62 | 7.14.10 | 2,549,514.00 | HVM Mid-Towne, Ltd. | 26-1837015 | HVM Mid-Town Apartments | 08-12801 through 08-12807 | 54 unit USDA-RD 515 Multifamily Complex | NB | Tomball, Harris | TX | 77377 | 30 | 2 | 0 | 54 | 0 | 54 |
| 63 | 7.14.10 | 2,936,283.00 | HVM Alta Vista, Ltd. | 26-1799586 | HVM Alta Vista Apartments | 08-12901 through 08-12912 | 64 unit USDA-RD 515 Multifamily Complex | NB | Marble Falls, Burnet | TX | 78654 | 30 | 2 | 0 | 64 | 0 | 64 |
| 64 | 7.20.10 | 6,725,114.00 | Orange Arbor Pines Apartment Homes, LP | 27-1154533 | Arbor Pines | 09-16201 through 09-16219 | 76 unit seniors | UC | Orange, Orange | TX | 77630 | 20 | 1 | 0 | 76 | 0 | 76 |
| 65 | 7.21.10 | 12,169,238.00 | Tyler Lake View Apartment Homes, LP | 26-3188964 | Lakeview Apartments | 08-26201 through 08-26236 | 140 units of senior housing | UC | Tyler, Smith | TX | 75702 | 20 | 1 | 140 | 0 | 140 | 0 |

| | Date of subaward | Amount of subaward | Name of recipient entity | Recipient entity EIN | Name of project | BIN | Brief description of project | Project completion status | Project city/county | Project state | Project zip code | Number of construction jobs to be created or retained | Number of non-construction jobs to be created or retained | Number of total housing units newly constructed | Number of total housing units rehabilitated | Number of low-income housing units newly constructed | Number of low-income housing units rehabilitated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 66 | 7.22.10 | 10,224,660.00 | Killeen Tremont Apartment Homes, LP | 27-1203366 | Tremont Apartments | 09-16301 through 09-16328 | 112 units of senior housing | UC | Killeen, Bell | TX | 76542 | 20 | 1 | 112 | 0 | 112 | 0 |
| 67 | 7.23.10 | 8,100,000.00 | RST Legacy Villas, LP | 26-3963257 | Legacy Villas | 09-11901 through 09-11999 | 64-unit, new construction, rural, single family | UC | Eagle Pass, Maverick | TX | 78852 | 78 | 19 | 64 | 0 | 64 | 0 |
| 68 | 7.28.10 | 11,786,975.00 | Floral Senior LDG, LP | 27-0792447 | Floral Gardens | 09-14201 through 09-14299 | 100 Unit Senior Apartment Complex | UC | Houston, Harris | TX | 77075 | 80 | 20 | 100 | 0 | 100 | 0 |
| 69 | 8.19.10 | 10,542,031.00 | Villas on Raiford Carrollton Senior Housing, LLC | 26-1536014 | Villas on Raiford | 07-30301 through 07-30399 08-09601 through 08-09699 | 180 unit new construction | UC | Carrollton, Dallas & Denton | TX | 75007 | 250 | 10 | 180 | 0 | 172 | 0 |
| 70 | 8.25.10 | 8,668,329.00 | Abilene-Charger Properties LP | 27-048824 | Abilene Seniors Apartments | 09-17501 through 09-17599 | 92 unit elderly rental, new construction | UC | Abilene, Taylor | TX | 79606 | 210 | 4 | 92 | 0 | 92 | 0 |
| 71 | 8.27.10 | 1,386,205.00 | Goldthwaite Fountainhead, LP | 27-1780143 | Whispering Oaks | 09-14801 through 09-14802 | Renovation of an existing 24 unit apartment complex | UC | Goldthwaite, Mills | TX | 76844 | 2 | 2 | 0 | 24 | 0 | 24 |
| 72 | 9.22.10 | 14,834,619.00 | Peachtree Housing, LP | 51-0652731 | Peachtree Seniors | 09-10801 through 09-10899 | 6-building, 144 unit elderly new construction | UC | Balch Springs, Dallas | TX | 75180 | 30 | 6 | 144 | 0 | 144 | 0 |
| 73 | 9.30.10 | 1,747,030.00 | Lorena Fountainhead, L.P. | 26-4257888 | Village Place Apartments | 09-14701 through 09-14702 | Renovation of an existing 32 unit apartment complex | UC | Lorena, McLennan | TX | 76655 | 2 | 0 | 0 | 32 | 0 | 32 |
| 74 | 9.29.10 | 903,082.00 | Lorena Autumn Fontainhead, L.P. | 26-4257899 | Autumn Villas | 09-14901 through 09-14904 | Renovation of an existing 16 unit apartment complex | UC | Lorena, McLennan | TX | 76655 | 2 | 0 | 0 | 16 | 0 | 16 |
| 75 | 9.29.10 | 2,123,128.00 | Brownwood Fountainhead, L.P. | 26-1780203 | Oakwood Apartments | 09-14601 through 09-14608 | Renovation of an existing 48 unit apartment complex | UC | Brownwood, Brown | TX | 76801 | 6 | 1 | 0 | 48 | 0 | 48 |
| 76 | 9.30.10 - Escrow | 1,279,003.00 | Bell Fountainhead, L.P. | 26-1780069 | Prairie Village Apartments | 09-15001 through 09-15002 | Renovation of an existing 24 unit apartment complex | NB | Rogers, Bell | TX | 76569 | 2 | 1 | 0 | 24 | 0 | 24 |
| 77 | 9.28.10 - Escrow | 2,551,331.00 | HVM Gonzales County, Ltd. | 26-1412348 | Hyatt Manor I and II Apartments | 07-27101 through 07-27116 | 64 unit USDA-RD 515 Multifamily Complex | NB | Gonzales, Gonzales | TX | 78629 | 30 | 2 | 0 | 65 | 0 | 65 |
| 78 | 9.30.10 | 2,052,965.00 | PK Courtwood Apartments, LP | 26-3641745 | Courtwood Apts | 09-00001 through 09-00008 | Rehabilitaion of 50 unit multifamily apartment complex for seniors | NB | Eagle Lake, Colorado | TX | 77434 | 30 | 5 | 0 | 50 | 0 | 50 |
| 79 | 9.28.10 - Escrow | 2,712,282.00 | HVM Burnet N&R, Ltd. | 26-4118054 | Northgate Apts and Rhomberg Apts | 87-00841 through 87-00850 87-00836 through 87-00840 | 60 unit USDA-RD 515 Multifamily Complex | NB | Burnet, Burnet | TX | 78611 | 30 | 4 | 0 | 60 | 0 | 60 |
| 80 | 9.30.10 | 2,458,658.00 | PK Cherrywood Apartments LP | 26-4216744 | Cherrywood Apartments | 09-16501 through 09-16506 | Rehabilitaion of 44 unit multifamily apartment complex for seniors | NB | West, McLennan | TX | 76691 | 30 | 5 | 0 | 44 | 0 | 44 |
| 81 | 9.28.10 | 10,987,246.00 | Chicory Court VII, LP | 33-1038405 | Champion Homes at Bay Walk | 09-98901 through 09-098914 | 192 Units Rehab - Acquisition | NB | Galveston, Galveston | TX | 77551 | 350 | 45 | 0 | 192 | 0 | 192 |
| 82 | 9.30.10 | 6,223,846.00 | TX Las Palmas Gardens Housing, LP | 20-8983941 | Las Palmas Gardens Apartments | 09-90101 through 09-90108 | Rehabilitation, 100 units | NB | San Antonio, Bexar | TX | 78237 | 155 | 15 | 0 | 100 | 0 | 100 |
| 83 | 9.30.10 | 3,198,456.00 | TX West End Baptist Housing, LP | 26-0703062 | West End Baptist Manor Apartments | 09-90301 through 09-90107 | 40 year old/50 unit rehab | NB | San Antonio, Bexar | TX | 78237 | 155 | 15 | 0 | 50 | 0 | 50 |
| | **TOTALS** | **569,850,535.00** | | | | | | | | | | **8348** | **803** | **4448** | **3236** | **4408** | **3210** |

**To Be Posted**
**three days**
**prior to the meeting**

**DISASTER RECOVERY DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Approve the request for a modification or amendment to the State of Texas Action Plan for Disaster Recovery (Action Plan) related to Public Law 109-234 (known as Rita Round 2) to transfer remaining allocations of Community Development Block Grant (CDBG) Disaster Recovery funds from Harris County's set-aside and Sabine Pass Restoration Program's set-aside and any other unutilized funds to the Homeowners' Assistance Program.

> **RESOLVED**, that the Executive Director and his designees are hereby authorized, empowered, and directed, for and on behalf of the Department, to review all fund balances to shift any unobligated or unutilized funds as necessary to optimize assistance to repair or replace housing damaged by Hurricane Rita and to cause the modification or amendment to the Action Plan. Authorization is given to make any non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

**Summary of Request**

Transfer any remaining funds under Rita Round 2 program to the Homeowner's Assistance Program (HAP) under Rita Round 2. Approximately $4 million in funds have been identified to transfer to the HAP program.

- In September 2010, the Board approved the deobligation of $134,338 of unutilized administrative and $2,686,760 of unutilized program funds from the Harris County contract.
- There will be approximately $1.2 million in unutilized program funds under the Sabine Pass Restoration Program (SPRP).
- Any other transfer of unused funds that can assist homeowners.

Staff is requesting permission to perform either an Action Plan modification or amendment to transfer these deobligated funds and any other unutilized funds into the Homeowners' Assistance Program to further the recovery of those homeowners impacted by Hurricane Rita.

## Background

Harris County received funds of $20 million to provide services to the residents of among six different program components: Expanded Services to Hurricane Evacuees, Evacuee Medical Services, Katrina Crisis Counseling Program, Youth Offenders Services, Disaster Housing Assistance Program Component and the Multi-Family Evacuee Housing Program. The administrative fund budget was $1,000,000. The funds allocated to one of the multifamily rental developments was not able to proceed. The program and administrative funds allocated to rehabilitate this multifamily development are available.

The $12 million was set-aside to the residents of Sabine Pass to assist with recovery efforts by providing assistance for rehabilitation or reconstruction of housing as well as elevation and accessibility. Work has concluded in this community and the remaining approximately $1.2 million in funds will be used to address the HAP waiting list of homeowners across the 22 county region.

**DISASTER RECOVERY DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Approve the request for a modification or amendment to the State of Texas Action Plan for Disaster Recovery (Action Plan) related to Public Law 109-148 (known as Rita Round 1) to reflect transfer of remaining unutilized Community Development Block Grant (CDBG) Disaster Recovery funds to the Homeowners' Assistance Program under Public Law 109-234 (known as Rita Round 2).

> **RESOLVED**, that the Executive Director and his designees are hereby authorized, empowered, and directed, for and on behalf of the Department, to review all fund balances to shift any unobligated or unutilized funds as necessary to optimize assistance to repair or replace housing damaged by Hurricane Rita and to cause the modification or amendment to the Action Plan. Authorization is given to make any non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

**Summary of Request**

To transfer any remaining funds under Rita Round 1, estimated to be approximately $1.5 million, to the Homeowners' Assistance Program (HAP) under Rita Round 2. The determination of the final amount is pending completion of and final reconciliation of expenditures. The request also provides the Executive Director to transfer any unused funds to assist un-served homeowners where possible.

## Background

The bulk of the applicants under the Rita 1 program were transferred to the HAP and Sabine Pass Restoration Program when the Rita Round 2 program was funded and underway. There is about $1.5 million left in the Rita Round 1 funding after assisting the small pool of applicants that the Councils of Government (COG) retained. It is possible to transfer applicants from Rita 2 waiting lists back to the Rita 1 program, however, the COG contracts have expired and staff believes that recipients would be served more expeditiously under the HAP program through the transfer of funds.

**To Be Posted**
**three days**
**prior to the meeting**

**DISASTER RECOVERY DIVISION**

**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Presentation, discussion and possible action to approve Disaster Recovery Housing Program Guidelines

WHEREAS, in accordance with the provisions of the State of Texas' Conciliation Agreement resolving a fair housing complaint approved by the U. S. Department of Housing and Urban Development, a task force appointed by the Executive Director has been appointed and subsequently developed guidelines for the equitable administration of housing recovery programs funded with the second allocation of CDBG disaster recovery funds relating to Hurricanes Ike and Dolly (the "Task Force"), and

WHEREAS, the development of these guidelines is crucial to the distribution of approximately $800,000,000 in disaster recovery housing to thousands of Texans in need and the ability to move forward with the application for the disbursement of these funds requires the guidelines to be approved for use by applicants, and

WHEREAS, this Board acknowledges the cooperative spirit in bringing together representatives of the regional planning authorities, TDHCA staff, and Complainants and allowing the public to participate through comments in open meetings and the extreme importance of moving forward in the most expeditious but fully compliant manner possible

It is hereby

RESOLVED, that the Executive Director or his designee are hereby authorized, empowered, and directed, for and on behalf of the Department, to approve the final version of the Disaster Recovery Housing Program Guidelines as recommended by the Task Force.

## Background

The Conciliation Agreement requires a Disaster Recovery Housing Guidelines Task Force assembled from Council of Government (COG) representatives and TDHCA staff with ex-officio representation by the Complainants. The function of the task force was to develop guidelines to govern all housing programs carried out with Hurricanes Dolly and Ike Round 2 Disaster Recovery funds. Once adopted by TDHCA, these guidelines will direct the available scope of housing activities carried out by Subrecipients of disaster recovery funding.

Summary of guidelines issued:

- General guidelines developed to provide direction for issues universal to all housing activities. All Subrecipients must offer the Homeowner Opportunity Program (HOP); therefore, the general guidelines reflect the requirements for the HOP program.

- Homeowner Program guidelines address the requirements under homeowner rehabilitation or reconstruction activities.
- Homebuyer Program guidelines provide guidance for the households relocating out of their properties destroyed by Hurricane Ike or Dolly.
- Rental guidelines were also developed to provide requirements under single and multifamily rental programs.

The guidelines provide:

i. A list of housing Program activities (including appropriate relocation and buyout activities) from which Subrecipients may select and offer as housing Programs;
ii. The cost and benefit criteria for each housing Program;
iii. The Program participant eligibility and qualification criteria for each housing Program;
iv. Housing quality standards for housing funded with Hurricane Recovery Funds;
v. The priority factors that Recipients must consider in administering their overall housing Program, including prioritization for persons at various income levels, persons with special needs, and relocation Programs;
vi. An evaluation of the income levels of disaster survivors and the establishment of reasonable guidelines to ensure that the housing needs of low, very low and extremely low-income households are assisted with housing in no less than the proportion to their relative percentages of the overall populations which suffered housing damage within the community being served by the Program;
vii. Appropriate outreach and public awareness measures for housing Programs;
viii. The recommendations will provide and allow for objectively determined regional adjustments for these criteria to reflect differences in the costs of delivery for benefits and the economic profile of local target populations.

The Disaster Recovery Division is requesting that the TDHCA Governing Board approve the recommendations of the Task Force and adopt the guidelines as TDHCA policy.

**HURRICANES DOLLY AND IKE ROUND 2**
**[SUBRECIPIENT]**
**GENERAL PROGRAM GUIDELINES**

## INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA or the Department) partnered with the Texas Department of Rural Affairs (TDRA) in the administration of a Community Development Block Grant (CDBG) Disaster Recovery Program (Program) funded by the U.S. Department of Housing and Urban Development (HUD) under Public Law 110-329. TDHCA is the agency responsible for the administration of disaster funds allocated to housing activities. TDHCA contracts with Cities, Counties and Councils of Government to administer these funds at the local level and carry out eligible housing activities.

~~As called for in the Conciliation Agreement,~~ Housing Guidelines were developed to serve as the basis for Hurricanes Dolly and Ike Round 2 housing programs. The Housing Guidelines consist of General Guidelines, which were developed to provide direction for issues that affect all of the housing programs. The General Guidelines are further divided into Part A, General Program Guidelines and Part B, Homeowner Opportunity Program (HOP). Activity-specific guidelines for Homeowner Assistance, Homebuyer Assistance and Rental Activities were created as separate documents. Applicants who qualify to fully participate in the HOP and elect to participate or decline to participate in a buyout of their original, storm-damaged property will be subject to either the Homebuyer Assistance Guidelines or the Homeowner Assistance Guidelines, depending upon their choice. These Round 2 Housing Guidelines do not replace or supersede the Guidelines developed by Subrecipients under Round 1 funding, unless expressly amended to be included in those Guidelines.

## PART A – GENERAL PROGRAM GUIDELINES

### I. PROGRAM OBJECTIVES

a) Texas is still in the recovery process for both its communities and residents due to the impacts suffered by Hurricanes Dolly and Ike. The primary focus of this Program is to provide relief for those people impacted by Hurricanes Dolly or Ike while addressing recognized impediments to affirmatively furthering fair housing as required under the Fair Housing Act. Assistance will be provided under a variety of housing activities including acquisition, rehabilitation, reconstruction, new construction, demolition, elevation, hazard mitigation, and storm hardening of homeowner and rental housing units.

**i.** The primary objective of the Program is to provide decent, safe, and sanitary housing in the hurricane-impacted areas through the provision of activities designed to mitigate storm damage that occurred as a result of Hurricanes Dolly and Ike, as well as any future hurricanes.

**ii.** A second objective is to ensure that the housing needs of very low, low and moderate- ~~low, very low and extremely low-~~income households are assisted with housing in no less than the proportion to the relative percentages of the overall populations which suffered housing damage within the communities being served.

**iii.** A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

## II. DEFINITIONS

Rehabilitation – Repair or restoration of housing units in the hurricane-impacted areas to applicable construction codes and standards.

Reconstruction – Demolition and re-building of a stick-built or modular housing unit on the same lot in substantially the same footprint and manner. Activity also includes replacing an existing substandard manufactured housing unit (MHU) with a new or standard MHU or stick-built/modular housing unit. The number of units on the lot may not increase and the total square footage of the original, principal residence structure to be reconstructed may not be substantially exceeded; however, the number of rooms in a unit may be increased or decreased.

New Construction – A replacement home that substantially exceeds the original footprint on the existing lot (if permitted) or the construction of a new home in a new location.

Demolition – Clearance and proper disposal of dilapidated buildings and improvements.

Homeowner Opportunity Program – A Disaster Recovery Housing Program through which income-qualified applicants who live in FEMA-designated “High Risk” areas or areas of high minority and/or poverty concentration (as approved by TDHCA) may elect to rehabilitate or reconstruct their existing home or relocate to a safer and higher opportunity area. ~~eligible activities are governed by the Homebuyer Assistance Guidelines or the Homeowner Assistance Guidelines, depending upon the voluntary decisions made by the participants who qualify for the program. The program may be utilized to affirmatively further fair housing for disaster recovery applicants that qualify as 80% or below AMI and live in the 100-year Flood Zone or areas of high minority and poverty concentration, as approved by TDHCA.~~ This program will involve relocation counseling and the provision of licensed real estate professionals to explain the options and choices available. (See Part B).

Homeowner Assistance Activity – The utilization of CDBG DR funding to rehabilitate or reconstruct hurricane-damaged homes in order for the applicant to remain in the original home at the original home site. The home to be assisted must have been owner-occupied at the time of the storm. This activity may be utilized by a HOP-eligible applicant who defers relocation and elects to repair and remain in the original home at the original home site.

Homebuyer Assistance Activity – The utilization of CDBG Disaster Recovery funding for up to 100% of the required down payment, reasonable closing costs, principal write-down assistance, subsidization of interest rates, and private mortgage insurance to facilitate the purchase of a new or existing home. The activity may be utilized in the relocation of a HOP participant or as assistance provided to a hurricane-impacted non-homeowner. Limitations on HOP funding are detailed in Part B; the cap on homebuyer assistance for hurricane impacted non-homeowners is limited to $40,000.

Acquisition – The utilization of CDBG funds to acquire real property. Acquisition-only is typically not considered a complete activity in the Program and must be combined with another eligible use (i.e. new construction).

Rental Activity – Acquisition, rehabilitation, or construction of affordable rental housing resulting in structures where at least 51% of units are occupied by LMI persons. Income and rent restrictions apply to the rental units to be built or assisted with CDBG funds.

Single Family Rental – Seven or less rental units under common ownership. Units may be on contiguous or scattered lots. Davis Bacon wage requirements apply to construction on CDBG-funded rental housing with eight or more rental units in the same property ~~project~~ (not necessarily the same building) which are commonly-owned and operated as one rental, cooperative or condominium project. ~~under common ownership~~. Scattered site rentals (rental properties not on an undivided lot or on contiguous lots or parcels) ~~under common ownership~~ may exceed seven units without wage requirements.

Multifamily Rental – Eight or more rental units in the property. ~~under common ownership~~. Davis Bacon wage requirements apply to construction on CDBG-funded rental housing with eight or more rental units in a property ~~project~~.

Program Design – The selection and development of programs and activities based on a Needs Assessment. ~~that include housing choice~~. The Program Design must include the type of housing activities that will be offered by [Subrecipient], as well as how the Program will be marketed, how Fair Housing Objectives will be achieved, and how funding will be prioritized as ~~are~~ determined through the Needs Assessment.

Low to Moderate Income (LMI) National Objective – Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used by [Subrecipient] to verify the income eligibility of each household applying for assistance at the time assistance is provided. The LMI economic subcategories of very low, low and moderate for the CDBG Program correspond to the economic subcategories of extremely low, very low and low as identified in the Conciliation Agreement and are defined as follows:

- Very low: Household's annual income is up to 30% of the area median family income, as determined by HUD, adjusted for family size
- Low: Household's annual income is between 31% and 50% of the area median family income, as determined by HUD, adjusted for family size
- Moderate: Household's annual income is between 51% and 80% of the area median family income, as determined by HUD, adjusted for family size

Slum and Blight National Objective – Activities which help to eliminate slums and blighted conditions. Use of this National Objective is limited due to its inability to contribute towards the overall requirement for 55% of Dolly and Ike Round 2 funding to benefit low to moderate-income beneficiaries. It must be justified in the application for funding and the restrictions of its use will be expressly detailed in the contract between TDHCA and the [Subrecipient]. Slum and Blight activities must meet the criteria of one of the three following categories:

- Prevent or eliminate slums and blight on an area basis;
- Prevent or eliminate slum and blight on a spot basis; or
- Be in an urban renewal area

Urgent Need National Objective – An urgent need that exists because existing conditions pose serious & immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent (typically within 18 months), and the [Subrecipient] cannot finance the activities on its own because other funding sources are not available. Use of this National Objective is not anticipated to be permitted with Dolly and Ike Round 2 funding.

Duplication of Benefits – The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which he has already received financial assistance under any other program or from insurance or any other source. The state will allow for the most permissive current interpretation provided by HUD in determining Duplication of Benefit.

Individual Mitigation Measures (IMM) – Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local construction or code requirements The State anticipates accessing additional funds for disaster activities under the Disaster Recovery Enhancement Fund (DREF) that must be matched by funding provided for IMM. In accordance with HUD's guidance, repair and rehabilitation of housing units, and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevation above the base flood elevation level, or the addition of storm shutters, hurricane proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the storm damage.

Subrecipient – Cities, Counties, Indian Tribes, local governmental agencies (including COGs), private non-profits (including faith-based organizations), or a for-profit entity authorized under 24 CFR 570.201(o). The definition of Subrecipient does not include procured contractors providing supplies, equipment, construction, or services, and may be further restricted by Program Rules or other guidance including applications.

Family – a household composed of two or more related persons. The term family also includes one or more eligible persons living with another person or persons who are determined to be important to their care or well being, and the surviving member or members of any family described in this definition who were living in a unit assisted under the HOPWA program with the person with AIDS at the time of his or her death. ~~A family is defined as all persons living in the same household who are related by blood, marriage, or adoption. An individual living in a housing unit that contains no other person(s) related to him/her is considered to be a one-person family for this purpose. Adult children who continue to live at home with their parent(s) are considered to be part of the family for this purpose and their income must be counted in determining the total family income. A dependent child who is living outside of the home (for example, students living in a dormitory or other student housing) is considered for these purposes to be part of the family upon which he/she is dependent, even though he/she is living in another housing unit.~~

Household – A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two (2) or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the low to moderate income objective is based on the LMI of households.

Manufactured Housing Unit (MHU) – A structure, transportable in one or more sections which, in the traveling mode is eight body-feet or more in width, or forty body-feet or more in length, or when erected on site, is at least 320 square feet, and which is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

Modular Housing – A home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

FEMA-Designated High Risk Area: Areas designated by FEMA as vulnerable to significant wind and/or storm surge damage and areas located in 100-year flood zones. These areas will be identified during the environmental review process for each participating jurisdiction.

Area of High Minority Concentration – A census block group that consists of 65% or more of minorities. Minorities include all racial and ethnic population groups other than "White, non-Hispanic (Anglo).

Area of High Poverty Concentration – A census block group that consists of 35% or more of the residents living in poverty. A household that meets the US Census Bureau's poverty threshold is considered to be at or below poverty level for the Disaster Recovery Program.

## III. EVALUATION OF DATA

a) In order to develop the Program Design for all activities offered through Dolly and Ike Round 2 funding, each subrecipient must use qualified data (HUD/FEMA data used to allocate the disaster funding, current FEMA data, data used to support the litigation involving FEMA undercounts in the Lower Rio Grande Valley, or other data as approved by TDHCA in advance). TDHCA will assist the subrecipient with the analysis and provide applicable raw data.
b) Qualified data will be used to document the impact of the relevant storm on the economic LMI subcategories and to assist the subrecipient in developing the plan for targeting the use of those funds, in the appropriate levels, to the appropriate economic categories.
c) The method of data evaluation utilized by the subrecipient (i.e., class distribution categories by income, raw number of homes impacted versus the aggregated dollar amounts impacting communities, etc.) must be made available to the public for fifteen days on a publicly accessible website. Notice of the posting of the method of review must be provided to TDHCA not later than the day the method is posted on a website.
d) If any public comment is made, the subrecipient must address the comment in a public response.
e) Once the method of interpretation of the data has been vetted publicly and adopted by the subrecipient, the subrecipient should program the use of the funds. The data evaluated should provide targeted classes that will be used to develop the program and its marketing components.
f) Persons with accessibility or other special needs adaptations should also be analyzed as part of the process.

## IV. USE OF PRIOR APPLICATIONS

(a) Prior applications may be considered if they are within the designated targeted areas. This program is not intended to be a first-come-first-served program and therefore persons who have already applied Under Round 1 do not have a prior claim to be included in the program.
(b) Prior applications will need to be reviewed to ascertain whether they qualify under the new program guidelines. As this program is not a continuation of Round 1 programs, applicants must be re-qualified.

## V. TARGETING COMMUNITIES

(a) Once the most impacted areas/income brackets have been developed, the subrecipient should, at a minimum, set aside an equal amount of the funds to provide an equitable relationship between determined damages to the socio-economic LMI subcategories and the funds received. Subrecipients may provide an additional ~~unbalanced~~ amount of funds to the lowest income levels if desired.
(b) Once targeted areas are identified, the subrecipient shall use ~~either conduct an analysis of impediments to fair housing or rely on~~ the Phase 1 Analysis of Impediments (AI)~~to Fair Housing to~~ determine what ~~whether~~ impediments to fair housing choice exist in those areas. ~~that have created concentrations of poverty or protected classes~~

(c) Based on the percentages of unmet need remaining for the LMI income subcategory populations as identified by the needs assessment and ~~levels and~~ the specific impediments identified by the Phase 1 AI, ~~methods~~ recommended actions to overcome the impediments should be developed into a program plan.

(d) As called for in Part A of the General Program Guidelines, an affirmative marketing plan to conduct outreach to the impacted communities is required in order to apply for the disaster recovery program. The outreach program developed should be approved in advance by TDHCA or, in the alternative, posted for 15 days for comment on a publicly accessible website with notice to TDHCA that the plan has been made public. Public comments made should be addressed prior to utilization of the plan.

## VI. PROGRAM REQUIREMENTS

a) All housing activities must meet one of the three National Objectives required under the authorizing statute of the CDBG program:

- Benefit Low to Moderate Income (LMI) persons;
- Aid in the prevention or elimination of slums or blight (Slum and Blight); and
- Meet a need having a particular urgency (Urgent Need). (The use of Urgent Need is not anticipated to be permitted with Dolly and Ike Round 2 funding).

b) [Subrecipient] must conduct a Needs Assessment to determine the types of programs it will offer and the Needs Assessment will become the basis for Program Design. The Needs Assessment will determine the activities to be offered, the demographics to receive concentrated attention and the target areas to be served. ~~The Program Design must identify specific areas that would benefit from specific programs, such as homebuyer assistance.~~ The [Subrecipient] must demonstrate how the programs and activities selected for those areas will ~~assist beneficiaries to~~ overcome the identified impediments to fair housing.

c) Subrecipient's obligations are as follows:

   a. Prior to the completion of the Phase 1 Analysis of Impediments (disaster-area AI), Subrecipients must conduct a local review of impediments sufficient to support the required demonstration that any project submitted for priority funding affirmatively furthers fair housing.
   b. Once the Phase 1 disaster area AI is complete, Subrecipients must conduct whatever level of review and evaluation is necessary to apply the findings of the disaster area AI to their jurisdiction and design programs that affirmatively further fair housing in compliance with that AI and analysis. Local jurisdictions do not need to conduct a local Analysis of Impediments in addition to the disaster area AI.
   c. Subrecipients may incorporate existing Analysis of Impediments documents into any evaluation of how to used CDBG-DR funds to overcome impediments to fair housing, but cannot substitute a local AI for the disaster area AI and should be cautious about using existing documents as many are not in compliance with HUD's current Fair Housing guidance.

d)

~~e) [Subrecipient] must utilize the State's Phase 1 Interim Analysis of Impediments (AI), a local review of impediments consistent with the HUD guidance on impediments, and follow the Conciliation Agreement in the formulation of Program Design. [Subrecipient] must submit a formal statement to TDHCA indicating they have reviewed the AI and applied its findings.~~

~~The proposed uses of CDBG DR funding will be formally reviewed and approved by TDHCA to assure adherence to the AI.~~

~~f) [Subrecipient] must utilize qualified data for each HUD Section 8 LMI economic group in order to establish funding levels for those groups to ensure that each group is assisted in no less than the proportion of their relative percentages to the overall populations which suffered housing damage in the community being served by the program. TDHCA will assist the subrecipient with the analysis and provide applicable raw data.~~

g) ~~According to the Conciliation Agreement,~~ TDHCA's proposed subrecipient performance standards will require that within a period of no more than eighteen months from the date of commencement of the Program, <u>which is the start (effective) date of the contract between TDHCA and the Subrecipient.</u> . Each subrecipient will have identified sufficient eligible beneficiaries such that the subrecipient will be able to provide reasonable assurance that the subrecipient will be able to expend all applicable funds within TDHCA-established benchmarks.

h) The Needs Assessment and analysis of HUD/FEMA demographic disaster victim data will dictate the proportions of funding that must be set aside to benefit each LMI economic group. Original FEMA data is not sufficient alone and must be adjusted with other eligible sources of data. Factors for this adjustment should be supplemented by local studies and litigation where available as well as HUD allocation formulas which add a "challenge to recover" factor to FEMA and SBA data. TDHCA will assist the subrecipient with the analysis and provide applicable raw data.

i) Applicants applying for disaster assistance are processed by the [Subrecipient] and must meet certain eligibility standards to qualify for assistance. Eligibility standards are further discussed in the activity-specific housing guidelines.

j) All sites must undergo a complete environmental review prior to any commitment of funds. An environmental review consists of a statutory checklist of required review items. Properties with environmental conditions will not be permitted to proceed under housing activities unless the condition is corrected. No work can start on a site until the environmental assessment is complete.

k) For assistance activities, it must be demonstrated that the damage or destruction to structures was a direct result of Hurricanes Dolly or Ike. Hurricane damage can be documented as follows:

1. FEMA, SBA or Insurance award letters.
2. In the event that the above-referenced documentation is not available, an inspection report (complete with photos of the damage and a written assessment of the damage) from a damage assessment conducted by a qualified inspector supplied by the [Subrecipient] that certifies that the damage occurred as a result of the hurricane will be acceptable.
3. In the event that FEMA, SBA or Insurance award letters are not available and an inspection report is inconclusive as to the cause of the damage ~~due to deferred maintenance or other reasons~~, the [Subrecipient] may provide alternative evidence, such as <u>neighborhood-level</u> media reports <u>or documentation of damage by disaster response/relief organizations</u> on a case-by-case basis to TDHCA for review and approval.

j. If an applicant was denied assistance by FEMA, assistance through the CDBG Disaster Recovery Program may still be available. ~~According to the Conciliation Agreement,~~ Subrecipients are prohibited from refusing housing assistance to applicants solely on the basis that the applicants were denied assistance by FEMA.

**VII. SIZE OF UNIT –** HUD guidelines provide occupancy policies that allow for two persons per bedroom as reasonable. Exceptions to this standard are based on the following factors:

a. No more than two persons are required to occupy a bedroom.
b. Persons of different generations (i.e. grandparents, parents, children), persons of the opposite sex (other than spouses/couples), and unrelated adults are not required to share a bedroom.
   1. An adult is a person 18 years old or older.
c. Couples living as <u>spouses</u> ~~husband and wife~~ (whether or not legally married) must share the same bedroom for issuance size purposes.
d. A live-in aide who is not a member of the family is not required to share a bedroom with another member of the household. Note: The need for a full time live-in aide must be documented. A waiver may be approved as outlined in the section on Issuance Size Exceptions.
e. Individual medical problems (e.g. chronic illness) sometimes require separate bedrooms for household members who would otherwise be required to share a bedroom. Documentation supporting the larger sized unit and related subsidy must be provided and verified as valid. A waiver may be approved as outlined in the section on Issuance Size Exceptions.
f. In most instances, a bedroom is not provided for a family member who will be absent most of the time, such as a member who is away in the military. If individual circumstances warrant special consideration, a waiver may be approved as outlined in the section on Issuance Size Exceptions.
g. When determining family issuance size, include all children expected to reside in the unit in the next year as members of the household. Examples include, but are not limited to, the following:
   1. Pregnant women: Children expected to be born to pregnant women are included as members of the household.
   2. Adoption: Children who are in the process of being adopted are included as members of the household.
   3. Foster Children: Foster children residing in the unit along with families who are certified for foster care and are awaiting placement of children are included as members of the household. If children are anticipated to occupy the unit within a reasonable period of time, they must be considered when determining the issuance size.
   4. Joint/Shared Custody Arrangements: In most instances children in joint/shared custody arrangements should occupy the unit at least 50% of the time. However if individual circumstances merit special consideration, a waiver may be approved as outlined in the section on Issuance Size Exceptions. The custody arrangement may be verified by the divorce decree/legal documents or by self certification.
   5. Custody of Children in Process: Children whose custody is in the process of being obtained by an adult household member may be included as members of the household. Evidence that there is a reasonable likelihood that the child will be awarded to the adult (i.e. within three months) must be provided in order for such child to be included.
   6. Children Temporarily Absent from Household:
      i. Children temporarily absent from the home due to placement in foster care may be included as members of the household. Evidence that there is a reasonable likelihood that the child will return to the household (i.e. within three months) must be provided in order for such child to be included.

ii. Children who are away at school, but live with the family during school recesses are included as members of the household.

h. Preferred Unit Sizes
1. 1 Bedroom – No CDBG DR built home will be only 1 Bedroom.
2. 2 Bedrooms
   i. Adult/couple
   ii. Adult/couple plus 1 child
   iii. Adult/couple plus 2 children of same sex
3. 3 Bedrooms
   i. Adult/couple plus 2 children of opposite sex
   ii. Adult/couple plus 3 children
   iii. Adult/couple plus 4 children (2 boys and 2 girls)
   iv. Adult/couple with medical needs plus 1 child
   v. Adult/couple with medical needs plus 2 children of same sex
4. 4 Bedrooms
   iv. Adult/couple plus 4 or 5 children (3 of same sex)
   v. Adult/couple with medical needs plus 2 children of opposite sex
   vi. Adult/couple with medical needs plus 3 children

i. Issuance Size Exceptions
1. Waivers of Issuance size may be granted based on the following:
   i. Chronic Illness – An individual with an ongoing health problem who requires at least part-time assistance on a regular basis.
   ii. Pending Child Custody cases – Includes, but is not limited to, children in foster care who may be returning home, foster children, pending adoptions, etc.
   iii. Parental Custody Situations – children physically occupy the unit less than 50% of the time as documented by a divorce decree and/or self certification.
   iv. Waivers for other individual circumstances may be granted with pre-approval by TDHCA.
2. The family must request a waiver in writing and explain the need and justification.
3. Waivers must be approved by the [Subrecipient].

## VIII. HOUSING ASSISTANCE CAPS

| | Non-HOP Homebuyer Assistance | HOP Homebuyer Assistance | Homeowner Assistance | |
|---|---|---|---|---|
| | | | Reconstruction/ New Construction | Rehabilitation |
| Base Unit | | Bid | Bid | $65,000 |
| Vacant Land | | $35,000 | | |
| Non-Coastal Elevation | | | $35,000 | $35,000 |
| Coastal Elevation | | | $60,000 | $60,000 |
| Water Well | | | $30,000 | $30,000 |
| Septic System | | | $25,000 | $25,000 |
| Accessibility | | $20,000 | $20,000 | $20,000 |
| Abatement | | $20,000 | $20,000 | $20,000 |
| Services | | Actual or $15,000 | Actual or $15,000 | Actual or $15,000 |
| Totals: | $40,000 | | | |

a) Housing Assistance Caps are discussed further in the Homeowner and Homebuyer Guidelines.

## IX. AFFIRMATIVE MARKETING PLAN

a) Local jurisdictions administering the CDBG Disaster Recovery Program are committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts for the disaster funding will include the following:

b) An Affirmative Marketing Plan, based on the U.S. Department of Housing and Urban Development (HUD) regulations, will be submitted to TDHCA for approval. The plan must outline the policies and procedures for housing activities. Procedures are established to affirmatively market units financed through the Program. The procedures cover dissemination of information, technical assistance to applicants, project management, reporting requirements, and project review.

c) The goal is to ensure that, eligible persons from all racial, ethnic, national origin, religious, familial status, the disabled, "special needs," gender groups, and for each project or program, the populations least likely to apply, are:

- Fully informed of vacant units available for sale and / or rent.
- Encouraged to apply for purchase, rehabilitation, and / or rent.
- Given the opportunity to buy and / or rent the unit of their choice.
- Given the opportunity to rehabilitate their primary residence, which sustained damages due to Hurricanes Dolly or Ike and / or its after-effects.

d) ~~In accordance to the affirmative marketing policies and procedures~~ Program participants will be informed about available opportunities and supporting requirements via counselors, printed and electronic materials, publications, direct contact, workshops/seminars, and through the placement of flyers/posters in public facilities. Particular emphasis should be focused on successful outreach to LMI areas and those communities with minority concentrations that were affected by the disaster.

e) In addition to marketing through widely available media outlets, efforts will be taken to affirmatively market the CDBG Disaster Recovery Program as follows:

- Advertise with the local media outlets, including newspapers and broadcast media, which provide unique access for persons who are considered members of a protected class under the Fair Housing Act
- Include flyers in utility and tax bills advertising the Program.
- Reach out to public or non-profit organizations and hold/attend community meetings.
- Other forms of outreach tailored to reaching the eligible population, including door to door outreach if necessary.

f) Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process.

g) In addition, measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing sign language assistance when requested, and providing special assistance for those who are visually impaired when requested.

h) Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process

i) Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained and made available to the public upon request.

j) The [Subrecipient] will be required to use the Fair Housing logo in Program advertising, post Fair Housing posters and related information, and, in general, inform the public of its rights under Fair Housing ~~regulations~~ law.

k) Multifamily rental programs must develop an Affirmative Marketing Plan for each development receiving CDBG Disaster Recovery funding. The plan, pursuant to federal regulations, will outline strategies to inform the public about the housing opportunities, requirements/practices that the owner must adhere to in executing the Affirmative Marketing Plan, procedures that will be followed in soliciting applications, and a description of records that will be maintained and made available for review. Notice to Public Housing Authorities in the region in order to inform households on DHAP that permanent housing is available should be part of the Plan.

l) Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity identified in the Needs Assessment. Evaluation should be an ongoing process and begin no later than one month after the program begins accepting applications. TDHCA should review these reports before the Subrecipient begins qualifying applicants, and periodically thereafter.

m) The availability of the Program funds shall be advertised at a minimum through the following venues:
   - **i.** Local newspapers, including but not limited to the following:
     - (1) A
     - (2) B
     - (3) C
   - **ii.** Local broadcast media, including but not limited to the following:
     - (1) A
     - (2) B
     - (3) C
   - **iii.** Public or non-profit organizations, community meetings, including but not limited to the following:
     - (1) A
     - (2) B
     - (3) C
   - **iv.** Other public groups including but not limited to:
     - (1) A
     - (2) B
     - (3) C

- **v.** Other outreach may include use of flyer in utility bills, church bulletins, and door to door outreach.
- **vi.** Evaluation of outreach activities and single family applications received will be necessary to determine if single family applications are received from a diverse population and ranges of income to ensure low/moderate income households are assisted in a proportion to the percentage of overall populations.

n) Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process.

## XI. REPORTING REQUIREMENTS

a) Compliance will be maintained in accordance with the reporting requirements under TDHCA's CDBG Disaster Recovery Program. This includes all information and reports as required under the TDHCA contract with the [Subrecipient] and demographic data and other information on applicants and awardees processed by the [Subrecipient] as required by the Conciliation Agreement.
   a. TDHCA will establish procedures for subrecipients to periodically report on goals and compliance with Section 3 as required by 24 CFR Part 135 and the contract between TDHCA and the subrecipient.
   b. TDHCA will establish procedures for subrecipients to collect and report data relevant to Affirmatively Furthering Fair Housing and Civil Rights compliance ~~for subrecipient reporting on affirmatively furthering fair housing~~ ~~that is compliant with~~ as required by the Conciliation Agreement. The reporting requirements will include, but not be limited to the following:

      i. For each program activity requiring a direct application by an individual or non-institutional entity:
         1. Applicant household's income
         2. Household's income as a percentage of area median family income as defined by HUD
         3. The race and ethnicity of the head of household
         4. The household's familial status
         5. The presence or non-presence of a household member with a disability

      ii. For each activity providing housing or housing assistance that is not directly linked to a specific beneficiary:
         1. The cost of the housing unit to the applicant and to the occupant –
         2. The maximum qualifying household income as a percentage of area median family income as defined by HUD
         3. Restrictions regarding the age or familial status of occupants
         4. The presence or absence of designs or services that make the housing unit accessible to an individual with a disability and the number of fully accessible units.

## XII. RECORDS RETENTION

a) All official records on programs and individual activities are maintained for a 5 (five) year period beyond the end of the affordability period for each housing activity.

## XIII. PROCUREMENT REQUIREMENTS

a) Procurement is the acquisition of goods and services to be used internally by the [Subrecipient] to carry out the Program. The procurement process includes the decision to purchase as well as the process to complete the purchase. The federal government has established a set of procurement rules at 24 CFR Part 84 and 85 that apply to CDBG-funded projects. These rules are in place to ensure that federal dollars are spent fairly and encourage open competition for the best level of service and price. In addition, the State of Texas has enacted a set of regulations that also apply to CDBG contracts through the Uniform Grant Management Standards, the Texas Government Code and the Local Government Code. If a conflict between federal and state procurement regulations should occur, safe harbor is typically found in the more stringent regulation.

b) [Subrecipient] is required to submit a plan for compliance with Section 3 (24 CFR Part 135) requirements for TDHCA approval prior to the start of construction on any contract activity.

## XIV. SITE AND DEVELOPMENT RESTRICTIONS

a) Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. International Residential Code (IRC) (with windstorm provisions) and International Building Code (IBC) must be used as required where appropriate. All rehabilitation projects must comply with Housing Quality Standards (HQS) and all applicable local codes and ordinances. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a CDBG-assisted property, [Subrecipient] may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b) All other CDBG-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR §982.401. All multifamily rehabilitation developments are subject to a Uniform Physical Conditions Standards inspection. All deficiencies identified in that inspection must be corrected before final retainage is released.

c) Housing developments must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794). Multifamily housing developments must meet the design and construction requirements at the Texas Administrative Code, Title 10, Chapter 60, Subchapter (B) 10 TAC §§60.201-211). Covered multifamily dwellings, as defined at 24 CFR §100.201 as well as common use facilities in developments with covered dwellings must meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. §§3601–3619) and the design and construction requirements of the Fair Housing Act Design Manual. Additionally, developments involving new construction (excluding construction of nonresidential buildings) where some units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the design and construction requirements of the Fair Housing Act Design Manual, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A compliance certification will be required after the development is completed from an inspector, architect, or accessibility specialist. Any developments designed as single family structures must also satisfy the requirements of §2306.514 of the Texas Government Code.

d) All Applications will be required to meet Section 8 Housing Quality Standards detailed under 24 CFR §982.401, Texas Minimum Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply.

## XV. CONFLICT OF INTEREST

a) The conflict of interest regulations contained in the contract between the [Subrecipient] and TDHCA prohibit local elected officials, [Subrecipient] employees, and consultants who exercise functions with respect to CDBG Disaster Recovery activities or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, from receiving any benefit from the activity either for themselves or for those with whom they have family or business ties, during their tenure or for one year thereafter.

b) For purposes of this section, "family" is defined to include parents (including mother-in-law and father-in-law), grandparents, siblings (including sister-in-law and brother-in-law), and children of an official covered under the CDBG conflict of interest regulations at 24 CFR Sec. 570.489(h).

c) The Department is able to consider granting an exception to the conflict of interest provision should it be determined by TDHCA that the [Subrecipient] has adequately and publicly addressed all of the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974 and the effective and efficient administration of the program. Do not enter into a conflict of interest until a request for an exception has been granted.

## XVI. COMPLAINT/APPEAL PROCESS

a) <u>Citizen complaints will be handled as required under the following regulations:</u>

1) <u>24 CFR 91.11(h) Citizen Participation Plan which states, "The citizen participation plan shall describe the State's appropriate and practicable procedures to handle complaints from citizens related to the consolidated plan, amendments and performance report. At a minimum, the citizen participation plan shall require that the State must provide a timely, substantive written response to every written citizen complaint, within an established period of time (within 15 working days, where practicable, if the State is a CDBG recipient)."</u>

2) <u>24 CFR 570.486(a)(7) Local Government Requirements, which states, "Provide citizens the address, phone number, and times for submitting complaints and grievances, and provide timely written answers to written complaints and grievances, within 15 working days, where practicable."</u>

3) <u>10 TAC Sec.1.17(a) Alternative Dispute Resolution which states, "In accordance with §2306.082, Texas Government Code, it is TDHCA's policy to encourage the appropriate use of Alternative Dispute Resolution ("ADR") procedures to assist in the fair and expeditious resolution of internal and external disputes involving TDHCA and the use of negotiated rulemaking procedures for the adoption of Department rules, consistent</u>

with the Governmental Dispute Resolution Act and the Negotiated Rulemaking Act (Chapters 2009 and 2008, respectively, Texas Government Code). TDHCA's ADR procedures must conform, to the extent possible, to model guidelines issued by the State Office of Administrative Hearings for the use of ADR by state agencies (§2306.082(b), Texas Government Code)."

b) Resolution of complaints must be handled sensitively and fairly. Complete and thorough program documentation and contractual agreements, careful implementation of policies and procedures, and clear and respectful methods of communication will help prevent and resolve complaints. Incorporation of escalation procedures into the complaint process will support resolution at the earliest stage possible.

c) Information about the right and how to file a complaint shall be printed on all program applications, guidelines and subreceipent web sites in all local languages, as appropriate and reasonable.

## d) **Types of Complaints**

1) Policy: There are two types of complaints; formal and informal.
   i. Informal: Informal complaints may be verbal and can come from any party involved in the application process, including the homeowner or building contractor. A written procedure for handling these complaints is not required.
   ii. Formal: Formal complaints are written complaints, including faxed and emailed statements. A written procedure for dealing with formal complaints is required.
2) Required Documentation: Statement of policy only. No required documentation.
3) Verification Procedures: Statement of policy only. No verification procedures required.

## e) Informal Complaints

1) Policy:
   i. Informal complaints may be verbal, and can come from any party involved in the process, including the homeowner or building contractor.
   ii. A written procedure for handling these complaints is not required.
2) Required Documentation: Statement of policy only. No required documentation
3) Procedure:
   i. A person who calls the subrecipient to file an informal complaint will be advised on how to file a formal complaint if their complaint cannot be immediately resolved.
   ii. The subrecipient procedures will include a complaint escalation process in order to ensure complaints are handled at the earliest stage in the process.
   iii. Parties interested in TDHCA's Programs are directed by program literature, the program and the website and information provided by subrecipient staff. Notwithstanding these directions, some individuals will choose to make inquiries directly to TDHCA.

iv. The following outlines suggested procedures in the event a question is posed directly to TDHCA:

4) Action for Subrecipient Staff:
   i. Obtain all pertinent applicant details including name, address, contact number and application ID
   ii. Capture the details of the question or complaint to include the names of program personnel previously contacted
   iii. Contact Subrecipient Program Manager and provide details of the query. Forward copies or originals of any documents or correspondence received. Please include how any questions were answered, what information was provided and what action you would like the Subrecipient Program Manager to take, if any.

f) Formal Complaints

1) Policy
   i. Formal complaints are written statements of grievance. These complaints may come to the Subrecipient Program Manager or TDHCA in the form of a fax, email or letter and are handled through a documented set of procedures that comply with federal regulations and TDHCA requirements. The Complaint Tracking System will be used to store, track, and document resolution of the complaint.
   ii. The formal complaint process tracks the process outlined by TDHCA for handling complaints.
   iii. If the formal complaint is submitted to TDHCA, TDHCA at their discretion will submit the complaint to the subrecipient.
   iv. The subrecipient will document, process, and file all complaints received from TDHCA following the policy and procedures outlined.
   v. Complaints with insufficient data or submitted by a third party with no standing in the application about which the complaint is being submitted need not be accepted.
2) Required Documentation:
   i. The Complaint Policy and Procedures documentation includes the following elements:
      1. Definition of the kind of disputes or complaints that will be handled
      2. Identification and description of the party responsible for handling the complaint and the disposition.
      3. Appeal process available to complainants, including how an appeal is initiated, to whom the appeal is made, time limits for filing an appeal, and any details pertaining to the reviewer or person(s) who handle the appeal; and
      4. How to file a formal complaint
3) A file for each complaint will be maintained. The file will document each step of the complaint process and will include the following:
   i. The name of the person who filed the complaint;

ii. The date the complaint was received;
iii. A description of the complaint;
iv. The name of each person contacted in relation to the complaint;
v. A summary of the results of the review or investigation of the complaint; and
vi. An explanation of the reason the file was closed, if the file was closed.

4) Procedure:

i. In order for a complaint to be processed it must be received in writing (includes fax and email) and must include:
    1. The name of the complainant, and
    2. Contact information of the complainant
    3. Complaints may be submitted in the following ways:
    4. By mail: (insert subrecipient mail info)
    5. By fax: (insert subrecipient fax info)
    6. Online: (insert subrecipient online info)

ii. Upon receipt of a written complaint, the PM or designee will perform the following steps:
    1. Assign a control number to the complaint;
    2. Review and/or investigate the complaint;
    3. Determine to which program the complaint refers;
    4. Submit the findings to an individual designated by TDHCA;
    5. Provide a copy of TDHCA's policies and procedures relating to investigation and resolution to the complainant and to each person who is subject of the complaint;
    6. Notify the complainant of the resolution within fifteen (15) business days after the complaint was received.

iii. The following outlines the procedure in the event a formal complaint is received:
    1. Enter all pertinent information into the Complaint Tracking System. Enter the information under the category "Complaint Tracking". This will generate a Ticket/Control number. There will be a separate file or ticket for each complaint. The entry must contain the following information:
        a. The name of the person filing complaint
        b. The date the complaint was received
        c. A description of the complaint
    2. Upload an electronic copy of the complaint into the Complaint Tracking System.
    3. Notification will be sent via email to Operations Manager from the Complaint Tracking System. The ticket status will be updated to "Assigned".
    4. Determine if complaint is complete, relevant and has standing.

5. The complaint will be reviewed in detail and investigated through to resolution. Findings will be forwarded to an individual designated by TDHCA.
6. Progress updates of the review/investigation will be entered into the Complaint Tracking System by specific ticket number.
7. Notification will be sent to complainant within fifteen (15) business days after the complaint was received.
8. Once resolution has been determined and notice has been sent to complainant, the status of the ticket will be updated to "Closed".

iv. Citizens will be provided with the address, phone numbers, and times for submitting complaints or grievances.

v. The Complaint Tracking System will categorize complaints, track the resolution process, and report on complaint status.

vi. Corrective action is implemented, where warranted.

~~a) Complaint/Appeals Process. Any resident or business may file a written complaint alleging non-compliance with CDBG Disaster Recovery Hurricane Dolly or Ike Program. Complaints will be investigated to seek resolution. A written complaint must contain:~~

- ~~Name and address of the person filing the complaint;~~
- ~~Subject of complaint~~
- ~~Description of acts or omissions in alleged violation of CDBG Disaster Recovery Program.~~

~~b) Written complaints should be filed with:~~

- ~~Contact information~~

~~c) Upon receipt of a written complaint the [Subrecipient] will send a written acknowledgement to the complainant within five (5) working days of the receipt of the complaint. Designated personnel will work with production staff to investigate the specific allegations of the complaint to render a finding. A written response will be provided to the complainant within fifteen (15) business days with the determination of the complaint. TDHCA must be supplied a copy of any letter denying an appeal or dismissing a complaint within the fifteen (15) business days allotted for a response to the complainant.~~

~~d) Each applicant or participant shall have the right to appeal any decision in the form of a grievance; provided such appeal is made within fifteen (15) days from the date of the decision was rendered. If the applicant/participant is not satisfied with the appeal decision from the [Subrecipient], an appeal may be submitted directly to TDHCA according to TDHCA appeal processes. The TDHCA appeal process is available at 10 TAC Chapter 1, Section 1.2, and may be accessed at the following link:~~
~~http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=10&pt=1&ch=1&rl=2~~

e) ~~No member, officer, agent or employee shall be personally liable concerning any matters arising out of, or in relation to, the commitment of CDBG-DR program funds with regard to feasibility or viability of the proposed project.~~

## XVII. CHANGES, WAIVERS, AND/OR CONFLICTS

a) The [Subrecipient] has the right to change, modify, waive, or revoke all or any part of these guidelines, with the prior written approval of TDHCA.

b) Waivers to the requirements in these Guidelines can only be approved by TDHCA and must be in provided in writing. TDHCA will provide the option for a waiver, only after the posting of the waiver request on the Department website for a public comment period of at least ten (10) days. The waiver request must demonstrate why the housing guidelines are not practicable for the subrecipient.

c) In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

## XVIII SELECTED ACTIVITIES

a) [Subrecipient] received $XXXX in disaster recovery funds to help local residents of the community with the efforts to recover from the effects of Hurricanes Dolly or Ike. [Subrecipient] may choose which programs and activities they will offer to their communities; however, the [Subrecipient] will be required to justify how the activities selected meet the needs of the community in a way that affirmatively further fair housing and demonstrate compliance with civil rights. The housing activities indicated below are offered with the following distribution of funds:

| | | |
|---|---|---|
| A | Homeowner Assistance (Single Family Homeowner) Program<br>Repair/rehabilitation<br>Reconstruction<br>New Construction<br>Demolition<br>Elevation<br>Hazard Mitigation/Storm Hardening | $ |
| B | Homebuyer Assistance Program<br>Down Payment Assistance<br>Acquisition with Rehabilitation/Reconstruction/New Construction | <br>$ |
| C | Rental Program<br>Single Family<br>Multifamily<br>Moving to Opportunity<br>Hazard Mitigation | $ |

## PART B – HOMEOWNER OPPORTUNITY PROGRAM

### INTRODUCTION

~~As part of the Conciliation Agreement, the Homeowner Opportunity Program (HOP) is a program through which Homeowner (owner-occupied at the time of the disaster) or Homebuyer (down payment assistance, etc.) activities may be utilized to affirmatively further fair housing for all disaster recovery applicants that qualify.~~

The Homeowner Opportunity Program (HOP) is a Disaster Recovery Housing Program that involves options up to and including the "buyout" of a home that has been "destroyed" by the hurricanes and the subsequent relocation of the homeowners to a location that is a safer and higher opportunity neighborhood. Destroyed, for the purposes of the HOP, means that the home cannot feasibly be rehabilitated under the rehabilitation cap to the point where the entire house meets, at least, Housing Quality Standards (HQS). Households for whom rehabilitation is sufficient will not qualify for relocation under the HOP. Households whose home has been destroyed may elect to decline relocation and reconstruct the original, storm destroyed property to remain in place. The options of the HOP include: reconstruction or replacement of the existing home; the purchase of a vacant lot on which to build a new home or locate a manufactured home; or the purchase of a home.

Subrecipients must make counseling available to income-qualified applicants living in a FEMA-designated "High Risk" area or area of high minority and/or poverty concentration (as approved by TDHCA) and extend the opportunity to participate in the HOP. The mandated counseling will include information on the applicant's rights under the Fair Housing Act and the various disaster recovery housing program options; moreover, it will concentrate on providing the applicants the information and assistance necessary to facilitate their decision as to whether to rebuild in place or to relocate.

Relocation counselors and licensed real estate professionals will explain the housing options and choices available to the applicants. It is a voluntary path, for the applicant, that is not to be confused with a compensation-style, traditional buyout involving only the acquisition of the damaged property. Relocation of applicants who qualify for the HOP must remain within the jurisdictional boundaries of the Council of Government (COG) to which the original storm-damaged residence pertains.

Any subrecipient who intends to provide housing benefits must develop a program that provides opportunities consistent with this guidance prior to seeking applications. To accomplish this, Reconstruction, Rehabilitation, LMI Homebuyer Assistance, or Acquisition (combined with another eligible activity) must be offered at a minimum. TDHCA will provide the subrecipient with technical assistance and guidance relating to the HOP process, counselor qualifications and reporting forms.

### I. COUNSELING MADE AVAILABLE

a) As applications are being accepted and reviewed for determinations of eligibility to participate in the Program, each ~~application~~ applicant should be counseled and the various disaster recovery housing program options evaluated with the applicant. ~~for the potential benefit of a counselor to provide guidance on affirmatively furthering fair housing options.~~

b) Any LMI applicant should be allowed to receive counseling to provide guidance on ~~affirmatively furthering fair housing~~ the housing program options.

c) Applicants determined to be eligible for participation in the HOP will receive counseling and professional real estate services to provide guidance on their housing options ~~affirmatively furthering fair housing, buyout options and real estate professional services~~ unless expressly declined by the applicant. Professional real estate services will include, but not be limited to such services as providing guidance about and the opportunity to visit properties and neighborhoods in higher opportunity areas and/or areas outside of high minority and poverty concentrations.

d) Each counselor shall receive training provided by TDHCA in the housing programs offered by the subrecipient, receive affirmatively furthering fair housing training, and meet mortgage counseling licensing requirements consistent with federal and state law.

e) Once a counselor is assigned to an application, the counselor should make contact with the applicant within 10 days. The counselor should remain with that applicant as the chief point of contact (case manager), throughout the life of the application process until closing of the property. If a counselor leaves or is reassigned, the applicant will be assigned a new counselor who shall make contact with the applicant within 10 days of being assigned the file.

## II. PROGRAMS MUST BE MADE AVAILABLE

a) Counselors should have resource information available to them to provide educated advice and to assist in decision making by the clients. These materials should include, at a minimum, school district ratings for eligible communities in the subrecipient's jurisdiction, health service facilities and programs available in the community for those needing assistance, a mechanism for discussing transfer of programs currently being utilized by applicant, and average utility costs and taxes for eligible program communities.

b) The subrecipient must develop the qualifications for each program that does not discriminate against a person or direct their activity choices by steering applicants to one choice or another due to inequitable benefits. As part of the Program Design, the subrecipient must review the program and determine what additional costs would be included in each program in order to make each choice relatively equal in terms of total overall cost.

1. Relative equality does not mean that the total cost of a reconstructing a home plus all other expenses eligible for rebuilding in place: a new water well, a new septic system, accessibility features (ramp, lift, etc.), and/or housing elevation would necessarily be the total amount of funds available for a relocation scenario through the HOP Homebuyer Assistance activity. The equal alternative is the cost of the house to which the beneficiary is relocated (CDBG DR assistance limited by the bids received for the standardized core home) plus accessibility features alone. The comparison is on the home provided, not the funds expended.

c) Relocations through either lot acquisition and construction or acquisition of a new/existing home will only be allowable only if the lot does not require home elevation expenses. Beneficiaries may not be relocated to ~~other~~ FEMA-designated "High Risk" areas or ~~other~~ areas of high minority or poverty concentration as determined by TDHCA. ~~100-year flood zones~~. Participants should be relocated to safer and higher opportunity areas; nevertheless, there may be areas that require special attention for the purposes of relocation. Lots that need wells or septic work will be determined on a case by case basis. However, accessibility enhancements will be eligible for all programs.

~~d) The program as designed must relocate persons in concentration of protected classes or poverty out of these conditions and not into other areas that have similar characteristics.~~

## III. USE OF EXTERNAL PROFESSIONALS

a) ~~The HOP Homebuyer Assistance program should be designed to allow for the cost of professionals. Examples include real estate agents to provide guidance to applicants about lots or homes that are available in the community that will work to offset or correct concentrations of protected classes or concentrations of poverty.~~ The HOP Homebuyer Assistance program will include the cost of professional services. Examples include real estate agents to provide guidance, including the opportunity to visit neighborhoods and properties, to applicants about lots or homes that are available in higher opportunity areas of the community with less concentrated areas of poverty and/or minority population. Professionals must receive training as mandated by the State in order to be certified eligible to participate in this program.

~~b)~~

c) Professionals must be licensed by the state where appropriate. The subrecipient can, using proper procurement practices, hire full time professionals or create a qualified list of candidates and randomly assign them to files. The subrecipient should include estimated fees and associated costs in their program design.

d) Liability issues may be addressed in the program design.

**IV. DOCUMENTATION OF PROGRAM**

a) The program design should include required documentation throughout the program. ~~The subrecipient~~ TDHCA will ~~should~~ develop standardized documentation for the subrecipients to utilize to document that the program was offered and the decision by the applicant to participate or not was made with informed consent. The applicant's signature documenting that they received counseling should be obtained.

b) Any professional services rendered should create a contract with the applicant making the applicant aware that they are representing the applicant and not the program.

c) In the event that the applicant refuses to receive counseling and wants to rebuild in place only, an affidavit form should be filled out by the applicant and notarized.

**V. ACQUISITION OF PROPERTY**

a) The [Subrecipient] must take title to the original, storm-damaged property. Title may be transferred to another unit of local government other than the subrecipient.

b) ~~The original, storm-damaged property will be acquired at the pre-storm tax appraisal as documented by the Central Appraisal District. The cost of the acquisition of the storm-damaged property will be absorbed in the cost of the acquisition of the relocation property.~~ The acquisition cost for the original property destroyed by the storm will be the cost of a replacement house based on the standardized specifications for the appropriate household composition and size which will be bid locally.

c) Taxes must be current on the property to be acquired. CDBG DR funds cannot be used to directly pay back taxes.

d) Outstanding liens or mortgages are the responsibility of the homeowner and must be satisfied prior to transfer of title.

e) Fee simple title must be obtained. Should clear title not be available at the time of acquisition, the applicant will be allowed to participate in the TDHCA Title Clearance Program (pending available funding). Adequate funding to serve the applicant must be reserved until the title issues are resolved or one year from the date of the application have elapsed, whichever comes first.

   a. ~~Otherwise~~ Eligible applicants who are unable to resolve title issues within one year of the application date may still qualify for regular homebuyer assistance (up to $40,000). Assistance to rehabilitate or reconstruct the original home may also still be available.

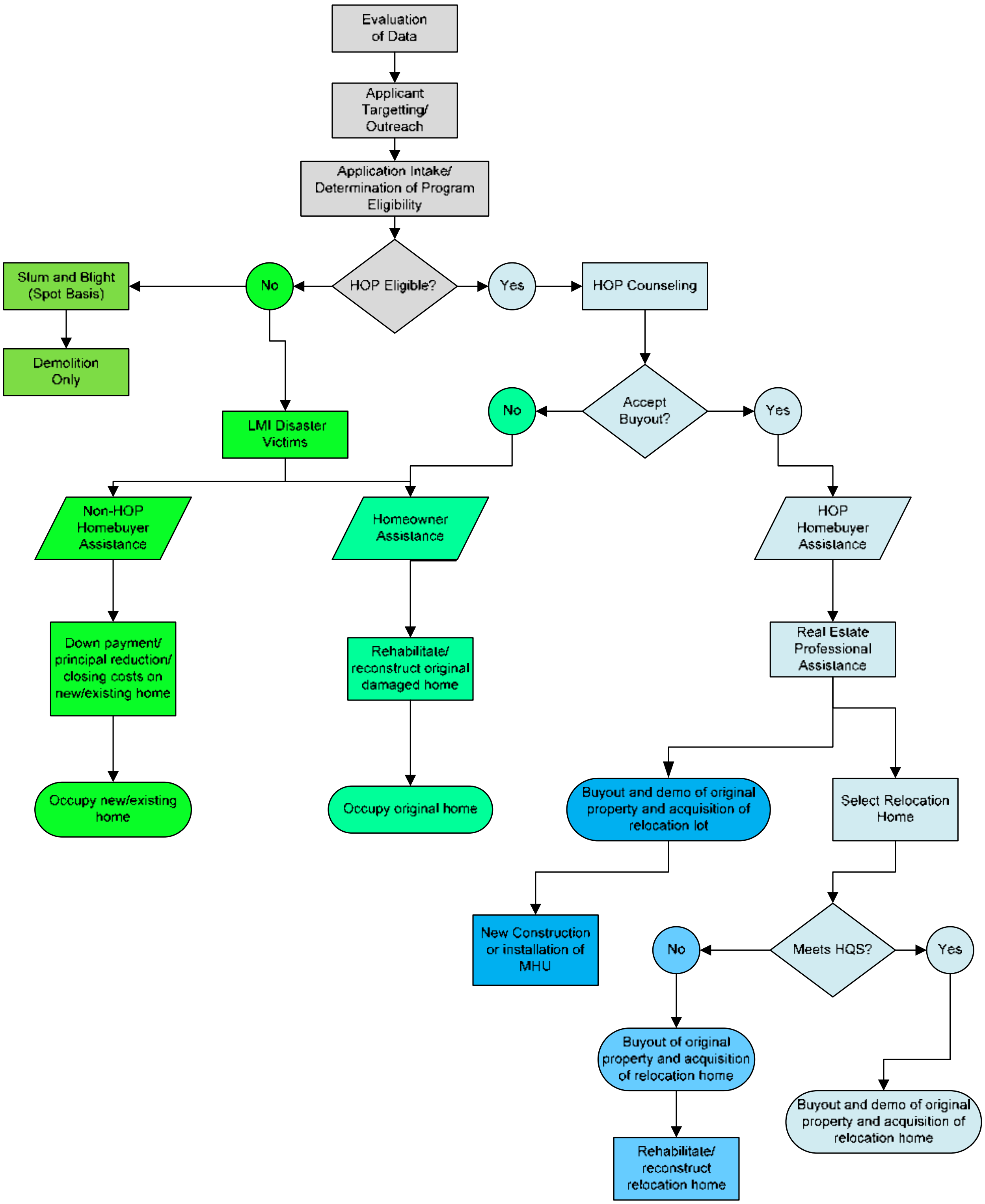
**V. DISPOSAL OF PROPERTY**

a) The program should determine how property acquired shall be used once acquired through the buyout program. The property must meet the requirements of the CDBG Program in particular and HUD guidance in general.

b) The existing property that is bought out will be demolished; demolition of the property may be performed with CDBG DR funds.

c) <u>To the extent allowed by HUD and where the final use of the property will be known and consistent with CDBG regulations and the for purposes of the relocation of the applicant, transfer of title to a nonprofit will be allowed.</u>

## APPENDIX A – DOLLY AND IKE ROUND 2 HOUSING GUIDELINES FLOWCHART



## ATTACHMENT A

### Hurricanes Dolly and Ike
### Single Family Homeowner Program Guidelines

## I. INTRODUCTION

A. The Texas Department of Housing and Community Affairs (TDHCA or the Department) is partnering with the Texas Department of Rural Affairs (TDRA) in the administration of funds under a Community Development Block Grant (CDBG) Disaster Recovery Program (Program) funded by the U.S. Department of Housing and Urban Development (HUD) under Public Law 110-329. TDHCA is the lead agency and responsible for disaster funds allocated to housing activities. Local entities including Cities, Counties and Councils of Local Government administer these funds on the local level for housing activities.

B. ~~As called for in the Conciliation Agreement,~~ Housing Guidelines have been developed to serve as the basis for housing programs related to Round 2 of the Program. This document is expected to serve as direction for the Single Family Homeowner Program activities funded under Round 2. These Guidelines do not replace or supersede the Guidelines developed in use under Round 1. Additionally, these guidelines supplement the General Guidelines which provide direction for issues that affect all of the programs and cover all areas of administration not expressly covered in this document. [Subrecipient] must incorporate those elements into their Single Family Homeowner Program.

C. [Subrecipient] has received Hurricanes Dolly and Ike Round 2 Disaster Recovery Community Development Block Grant (CDBG) funding for a Single Family Homeowner Program administered by the Texas Department of Housing and Community Affairs (TDHCA or the Department).

D. Benefit to Low to Moderate Income (LMI) is the principal National Objective approved for the Disaster Recovery Single Family Homeowner Program under Round 2. The use of Slum and Blight is eligible and, if requested by the [Subrecipient], will be evaluated during application review. The use of Urgent Need is not anticipated to be permitted with Dolly and Ike Round 2 funding. Eligible activities, which are defined in the General Guidelines, are as follows: rehabilitation, reconstruction, replacement, or new construction, and associated elevation and demolition. [Subrecipient] may also provide assistance for Individual Mitigation Measures (energy efficiency and storm mitigation activities). <u>All activities must be consistent with the Subrecipients' obligation to proportionately assist beneficiaries based on the needs assessment.</u>

## II. PROGRAM OBJECTIVES

A. Texas was hard hit by hurricanes and is still in the recovery process both for its communities and it residents. The primary focus of this program is to provide relief for those people impacted with consideration given to affirmatively further fair housing, as called for within the Fair Housing Act ~~where appropriate~~.

B. The following objectives are provided for the implementation and administration of a successful CDBG Single Family Homeowner Program. Actual selection of applicants is discussed in Section XI of the Guidelines.

   1. The primary objective of this Program is to provide decent, safe, and sanitary housing in the hurricane impacted areas through the provision of activities designed to mitigate storm damage that occurred as a result of Hurricanes Dolly and Ike, as well as any future hurricanes.

2. A second objective is to ensure that the housing needs of very low, low and moderate- ~~low, very low and extremely low-income~~ households are assisted with housing in no less than the proportion to their relative percentages of the overall populations which suffered housing damage within the communities being served.

3. A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

## III. PROGRAM DESIGN

A. [Subrecipient] will design a program utilizing the damage assessments provided by HUD and where appropriate, local data and Federal Emergency Management Agency (FEMA) data in order to determine the areas and populations most impacted by the storms. TDHCA will assist with the analysis and provide raw data.

***Needs Assessment***

The [Subrecipient]'s Program Design must be based on a Needs Assessment, working with HUD information and conducted by local governments, according to the requirements detailed in the General Guidelines. That assessment serves as the basis for the specific Single Family Homeowner Program that will be offered by the [Subrecipient]. Specifically, the assessment will be used to determine the activities to be offered to meet the types of housing needs experienced by the affected population, the demographics to receive concentrated attention and the target areas to be served.

***Program Marketing***

The Program Design must feature an effective marketing program to encourage application. Marketing program requirements are detailed in the General Guidelines.

***Priorities for Evaluating Applicants***

~~A first-come, first-served program to benefit low and moderate income persons defined as a total household annual gross income that does not exceed 80% Area Median Family Income (AMFI) is not an acceptable Program Design. Furthermore, to meet the agreed upon goals of the Conciliation Agreement, it is not sufficient Program Design alone to attempt to administratively prevent providing a benefit to moderate-income persons at the exclusion of low-income persons.~~ Results based on data from the Needs Assessment must be met. The LMI demographic groups must be disaggregated as follows:

1. 0% - 30% AMFI
2. 31% - 50% AMFI
3. 51% - 80% AMFI

All eligible applicants must be evaluated in order to establish the priority of funds within the above-referenced economic subgroups. ~~However,~~ Each subgroup must be funded at the levels indicated by the Needs Assessment and analysis; however, the lowest income households may be funded at a level in excess of their population's percentage of need. The intention is to incorporate both the family and dwelling characteristics of applicants in order to establish a system that gives the households that are less able to address need without public assistance a higher priority. The following household characteristics indicate a funding priority within the economic subgroups:

1. **Disability**. ~~Any documented disability of~~ If one or more members of a household have a documented disability that affects the design of the assisted unit, that household may be given priority within their income subgroup

2. **Age**. If one or more members of the a household are less than 18 years of age or 62 years of age or older, and has a lower AMFI.

***Application Intake and Counseling***
A mechanism must be incorporated into Program Design to prevent any pre-screening of applicants without a written application being taken. Anyone who makes an inquiry about ~~requests to participate in~~ the program will be provided a TDHCA application package to complete.

To provide the greatest chance for the Conciliation Agreement to be successful, single family applicants will ~~should~~ be provided a counselor as an application intake person to explain the various programs and activities.

Counselors or interpreters able to communicate with the applicant in their primary language will be assigned to the clients as appropriate. Counselors will be trained to be well versed in all activities, but specifically the buyout program found in the Conciliation Agreement that will explain options for LMI applicants to overcome recognized impediments to fair housing. Such a program will provide the following to those who have been determined by the [subrecipient] to qualify for the HOP:

1. Provide counseling for the purchase of existing property including but not limited to realtor support, moving support and other program benefits to allow the applicants to select this option without a diminution of benefits.
2. Provide counseling for the new construction of a home on an alternative site including lot acquisition costs.
3. Provide counseling for reconstruction in place.

Requirements for the buyout program are detailed in the Homebuyer Program guidelines under the Acquisition with Rehabilitation/Reconstruction section. These guidelines do not address requirements specific to this activity.

***Housing Standardization***
For new and reconstructed homes, construction specifications (for 2, 3 and 4 bedroom homes with total square footage ranges), will be developed by TDHCA. Each home must be constructed in accordance with Chapter 2306.514, Texas Government Code. The [Subrecipient] may engage an architect to allow for local architectural variations; however, basic square footage (within ranges), room requirements, building materials and general specifications must remain standardized for any home newly constructed or reconstructed with CDBG DR funding. Elevation options will be developed by the [Subrecipient]. The standardized specifications will then be put out for bid locally.

***Base Unit Design Criteria***

- 4” exterior walls/4” interior walls
- Living/Dining/Kitchen with open floor plans
- 12’6” minimum furniture wall in Master BR
- Capture Bathroom/Closet in Master BR
- 11’ diagonal measurement minimum Bedroom size
- Coat Closet in all Floor Plans
- Full Utility Room with Storage/Hanging Space
- Minimum 8’ ceilings throughout all Rooms/Porches
- Minimum 4’-6’ Front Porch depths (covered)
- Washer/dryer hookups
- HVAC

***Construction Standards***

- All windows are to be double glazed with a low "E" coating
- All exterior doors are to be insulated fiberglass or metal doors
- All light bulbs shall be either high efficiency compact fluorescent or LED lighting
- Use insulated can and air tight (ICAT) recessed lights where recessed lights are specified
- Use all low or no VOC paints
- 3 tab composition roof shingles with a 25-year warranty
- Exterior siding shall be brick/stone veneer and/or fiber cement plank siding

***Visitability Checklist (requirements are for first floor only, if multiple floors exist)***

- At least one 36" entrance door (preferably the main entrance) is on an accessible route served by a ramp or no-step entrance
- Each interior door is at least a standard 32" door, unless the door provides access only to a closed of less than 15 square feet
- All door handles are to be lever door handles
- Each hallway has a width of at least 36" and is level, with ramped or beveled changes at each door threshold
- Each bathroom wall is reinforced for potential installation of grab bars
- Each electrical panel, light switch or thermostat is not higher than 48" above the floor
- Each electrical plug or other receptacle is at least 15" above the floor
- If the applicable building codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48" above the floor inside the building
- Toilet seats are to be 1'4" – 1'7" above the floor
- Design a minimum of 2'6" wide x 4' open floor area with an out swinging door in at least one half bath and preferably one full bathroom

***Size of Units***

Guidance for the preferred amount of people per bedroom is discussed in the General Program Guidelines. The total square footage (attached garages not included) ranges are as follows:

- 2 bedroom/2 bath home: 1,000 – 1,330 SF
- 3 bedroom/2 bath home: 1,331 – 1,425 SF
- 4 bedroom/2 bath home: 1,426 – 1,500 SF

***Housing Assistance Caps***

A. Homeowner Assistance is limited by the Housing Assistance caps in the General Guidelines. The base unit "bid" amount is the maximum amount of assistance available to reconstruct or newly construct a home. It is set when the standardized set of new home specifications in the General Guidelines are bid locally. The intent of this rule is to equalize the funding available for different activities and choices. Homeowner Assistance allows for additional costs above the base unit amount including elevation and abatement. Additional costs are specified and capped in the General Guidelines.

B. Rehabilitation of existing, hurricane damaged homes is capped at $65,000. Additional expenses, such as elevation, are allowed as limited by the Housing Assistance Caps as described in the General Guidelines. Estimated rehabilitation costs exceeding this cap will be recommended for reconstruction.

## IV. ASSISTED HOMEOWNER ELIGIBILITY REQUIREMENTS

A. The following are threshold requirements, which must be met for an applicant to be eligible for assistance. Eligibility does not assure assistance, since a prioritization strategy within LMI economic subgroups will be required (consistent with Program Design requirements) and it is expected that there will be more eligible applicants than can be served with available funds.

***Income Eligibility***

The income limits to be utilized for the CDBG Single Family Homeowner Program are the current income limits established yearly by HUD for the Section 8 Housing Program. [Subrecipient] must always use the most recent income limits and will be monitored for compliance. All beneficiaries of the Single Family Homeowner Program must meet a National Objective. The Low to Moderate Income (LMI) National Objective is defined as providing a benefit to households at incomes of up to 80% of the locality's median income as computed on the most current HUD Section 8 Income Limits. Any activity carried out with CDBG funds that involves acquisition, rehabilitation or reconstruction of property to provide housing is considered to benefit LMI persons only to the extent such housing will, upon completion, be occupied by such persons. Current income limits for use by this program may be found at: http://www.tdhca.state.tx.us/pmcomp/irl/home-cdbg-nsp.htm

***Proof of Ownership***

The applicant must be an individual who owns the property to be repaired, rebuilt or replaced due to hurricane damage. Ownership can be documented as follows:

1. Provide a copy of a valid deed of trust or warranty deed that is recorded in the county records which cites the applicant's name. For MHUs, a Statement of Ownership and Location (SOL) may be provided.
2. Recognizing a need for alternatives to traditional proof of ownership for persons impacted by natural disasters, the Texas Legislature passed language that has been codified in the Texas Government Code section 2306.188, and addressed in rules by 10 Texas Administrative Code Section 54.3. For the purposes of federally funded disaster recovery programs ~~the Hurricanes Dolly and Ike Round 2 Disaster Recovery Program alone,~~ this means that ownership may be proven in the following manner:
   1) Applicants may prove ownership by providing alternative documentation and completing a notarized affidavit that certifies that one of the following circumstances applies:
      - there is nobody else who has the right to claim ownership;
      - anyone who has a right to claim ownership has agreed to participate in the program; or
      - anyone who has a right to claim ownership could not be located (after reasonable attempts to contact).
   2) The alternative documentation that can be provided instead of a copy of the deed includes (in order of preference):
      - tax receipts;
      - home insurance;
      - utility bills; or
      - other documentation deemed to be acceptable by TDHCA
   3) The documentation must show that the applicant was the person responsible for paying for these items at the time of the disaster. The required affidavit, form instructions and informational flyer may be found under Homeowner Assistance Forms at: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/forms/index.htm
   4) The above-referenced alternatives are not optional and must be incorporated into Program Design and allowed to prove ownership for all CDBG Disaster Recovery Programs in the State of Texas.

***Principal Residency***
The unit to be rehabilitated, reconstructed or replaced must have been occupied by the applicant as the applicant's principal residence as of July 23, 2008 for Hurricane Dolly and September 13, 2008 for Hurricane Ike. Principal residency for applicants can be demonstrated through property tax homestead exemptions. If a homestead exemption was not in place at the time of the disaster, an Affidavit of Principal Residency (form to be provided by TDHCA) may be utilized as an alternative method of verification of principal residency. The affidavit must be supported by documentation ~~of verification~~ such as asset verification (income tax returns, credit check, etc.) or utility bills specific to the property address and name of the applicant which were active as of the applicable, above-referenced dates. Vacation homes and rental properties are not eligible for assistance under the Single Family Homeowner Program.

***Property Taxes***
Applicant must furnish evidence that property taxes are current, have an approved payment plan or qualify for an exemption under current laws. Applicant must prove that property taxes have been paid or that one of the following alternatives have been met:

1. the property owner qualified for and received a tax deferral as allowed under Section 33.06 of the Texas Property Tax Code;
2. the property owner qualified for and received a tax exemption pursuant to Section 11.182 of the Texas Property Tax Code; or
3. the applicant entered into a payment plan with the applicable taxing authority.

Support documentation verifying the tax deferral or tax exemption must be provided by the applicant. Any applicant that enters into a payment plan must supply a signed copy of the payment plan from the applicable taxing entity, along with documentation that they are current on their payment plan. The required affidavit and instructions may be found under Homeowner Assistance Forms at: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/forms/index.htm

***Insurance***
Hazard insurance may be purchased on behalf of the assisted homeowner by CDBG Disaster Recovery Program for one year from the date of assistance. Assisted homeowners will be required to maintain hazard insurance. Failure to maintain hazard insurance may impact future disaster assistance.

If the unit is located in the 100-year flood plain, flood insurance is required. Flood insurance will be purchased on behalf of the assisted homeowner by CDBG Disaster Recovery Program for one year from the date of assistance. Homeowners are required to maintain flood insurance after the first year. Failure to maintain flood insurance will impact future disaster assistance.

***Child Support***
All applicants and co-applicants must be current on payments for child support. If the applicant of co-applicant is not current on child support, that member will be required to enter into a payment plan. Any applicant that enters into a payment plan must supply a copy of the payment plan signed by all applicable parties, along with documentation that they are current on their payment plan. The required forms and instructions may be found under Homeowner Assistance Forms at: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/forms/index.htm

## V. PROPERTY ELIGIBILITY REQUIREMENTS

A. The following threshold requirements are applicable to the assisted unit and must be met in order for the applicant to receive assistance. Proof of Hurricane damage is discussed in the General Program Guidelines.

***Unit Characteristics***

1. Only single-family owner-occupied units within the [Subrecipient]'s jurisdiction will be eligible for single family homeowner programs.
2. Manufactured Housing Units (MHUs or mobile homes) are eligible for rehabilitation at the discretion of the [Subrecipient]. However, the MHU to be rehabilitated must be no more than 5 years old at the time of assistance and no more than $10,000 in hard and soft construction costs can be used to rehabilitate a MHU. The MHU must meet HQS upon completion. MHU rehabilitation costs that exceed $10,000 will require reconstruction. Reconstruction of MHUs will consist of replacing the MHU with another MHU or a stick-built home that will meet only the current needs of the family or individual.

## VI. TYPES OF ASSISTANCE OFFERED

C. Rehabilitation, Reconstruction, or New Construction assistance may be offered to applicants. Based on the extent of damage, applicants may be eligible for rehabilitation or reconstruction of their homes, or they may be offered new construction assistance.

D. The option of new construction is limited for applicants who do not qualify for, or who do not select full participation in the HOP Homebuyer Assistance Program, which includes the buyout and demolition of the original, hurricane-damaged property. New construction for non-HOP Homebuyer applicants is limited to situations where local zoning/building permits, or federal requirements, such as environmental regulations, will not allow the reconstruction of the original, hurricane-damaged home.

E. Temporary relocation assistance may be offered at the discretion of the [Subrecipient]; however, the assistance may not exceed $5,000 per household.

## VII. TYPES OF IMPROVEMENTS

A. Improvements needed to meet HUD Section 8 Existing Housing Quality Standards, and Cost Effective Energy Measures are eligible improvements.

B. Improvements must be physically attached to the house and be permanent in nature (e.g., sheds or garages located separately from the house are ineligible). Eligibility of attached structures such as carports or utility rooms is based upon available funds and agreement by TDHCA in cases where safety or the structural integrity of the house is involved.

C. Improvements will include as necessary lead-based paint abatement, asbestos abatement, handicapped accessibility for special needs, energy efficiency or ventilation items such as ceiling fans, window screens, screen doors, and window blinds.

D. Individual Mitigation Measures (IMM) that mitigate and/or reduce risk for future disasters where the measures are above and beyond federal, state, or local construction or code requirements, and additionally the improvements exceed those that existed prior to the storm. Examples include elevation above the base flood elevation level, the addition of storm shutters, hurricane proof windows, roof straps, etc. as long as those improvements are not required to comply with local code or wind zone requirements.

E. Cook stoves, refrigerators, and other necessary appliances are eligible items, but will only be considered when they are not present or the repair would not be cost effective. They will be dealt with on a case-by-case basis.

F. Required permits, if any, will be obtained by the contractor at his/her expense and will be included as part of the bid costs.

G. Assistance will not be used for luxury items, including but not limited to garage door openers, security systems, swimming pools, fences, and television satellite dishes.

**VIII. SUPPLEMENTAL IMPROVEMENTS**

A. All debris, abandoned vehicles, and buildings that pose a safety and/or health threat as determined by the local jurisdiction or person qualified to make such a determination, must be removed from the property prior to the start of construction. The assisted homeowners will remove derelict personal property.

B. All electrical components must be inspected including service, meter, wiring, and fixtures even if no electrical work is being specified. Unsafe components must be replaced. All exposed wiring, switches, and light bulbs in living areas must be encased.

C. All homes must be equipped with a smoke detector installed in conformance with the one and two-family dwelling code.

D. Rehabilitated homes inhabited by handicapped or elderly persons must be analyzed as to the special physical needs of such persons. Improvements such as widened doorways, ramps, level entry and doorways, and grab bars in bath areas must be installed, if appropriate.

E. If a home is to be reconstructed or a replacement home provided, the original home must be removed from the site.

**IX. FORMS OF ASSISTANCE**

A. Single Family Homeowner assistance shall be provided in the form of an Unsecured Deferred Forgivable Note (Note). The Note (Form 13.09) may be found under Homeowner Assistance at: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/forms/index.htm.

B. The [Subrecipient] will be required to execute the Note with assisted homeowners (TDHCA will not be involved in the Note's execution) for all homeowner activities under the Hurricanes Dolly and Ike Disaster Recovery Programs. The Note <u>will be required to be</u> ~~does not need to be notarized or~~ recorded in the County Courthouse records. The Note will require assisted homeowners to maintain principal residency in the assisted property for 3 years. Cash out refinancing, home equity loans or any loans utilizing the assisted residence as collateral are not allowed for three years; violation will activate the repayment terms of the Note. The [Subrecipient] is required to monitor assisted households for compliance with the terms of the Note. Homeowners that default on the terms of the Note may be reported to Credit Bureaus and the Texas Office of the Attorney General.

C. If the assisted homeowner continues to occupy the home until the term of the note expires, the owner pays nothing and there are no conditions on the disposition of the property. If the property is sold, transferred or vacated by the assisted homeowner for any single period that exceeds thirty (30) days during the three-year forgivable loan period, the repayment terms of the Note will be enforced except in those cases addressed in the paragraph below. <u>Migrant farm workers who are recipients of a home under this program, may, when proven to be performing work for not more than six months, may leave a home vacant during the time of their employment, (but may not rent out the home), provided the recipient intends to return to the home.</u> If the assisted homeowner for any reason ceases to reside in the assisted unit during the [Subrecipient]'s CDBG contract period, only LMI persons may reoccupy the unit until the contract is administratively closed by the Department or the CDBG contract period expires, whichever is earlier.

1. Accelerated Forgiveness in Certain Cases: In the event of (1) the death, (2) relocation to a managed care facility, or (3) relocation resulting from documented mental or physical incapacitation of the sole remaining assisted homeowner identified in the original application, the [Subrecipient] may forgive any remaining loan balance. However, the requirement that only LMI persons may occupy the assisted housing unit until the CDBG contract is closed by the Department or the contract period expires shall not be waived by the [Subrecipient]. Any waiver of this policy must be given by the Department.

## XI. CONSTRUCTION

A. If the unit to be assisted was built prior to 1978 and the type of assistance offered will be rehabilitation, the assisted unit will be tested for the presence of lead based paint. If present, the removal of lead based paint will be considered in the costs of rehabilitation <u>under the Abatement cap as described in the General Guidelines</u>. Lead paint inspection provides two benefits: (1) the costs of abatement are considerable and must be factored into the cost estimates for rehabilitation and (2) the health risks to residents, particularly children, may be severe so any presence of lead based paint in an assisted unit, even one that is to be reconstructed, must be reported so that the residents may seek appropriate medical attention.

~~B. Upon completion of the work write-up, at least two bids from the [Subrecipient]'s list of eligible contractors for the proposed rehabilitation work. The assisted homeowner will select the contractor of his/her choice (not necessarily the low bidder). However, if the contractor's bid is higher than 15% of the [Subrecipient]'s cost estimate or should the bid exceed the allowable maximum assistance amount, the deferred, forgivable loan will be provided to the applicant for the maximum amount available at the time of bid award. The additional bid cost, if approved by the Department, may be provided by another source of funding. The additional funds will be placed in escrow before a contract is awarded. The assisted homeowner may not select a contractor who did not bid on the proposed work. Additional procurement considerations are discussed in the General Guidelines.~~

C. A pre-construction conference between the assisted homeowner, contractor, and the [Subrecipient] will be conducted to insure that all parties are in agreement about the work to be completed. The pre-construction conference will consist of two parts: The first part deals with basic contract and procedural issues: begin and end dates of the contract; terms of the contract; payment schedules and procedures; inspection procedures and requirements; responsibilities of the contractor and the assisted homeowner; change order procedures; payment requests and procedures (escrow account); lead-based paint requirements; role of the [Subrecipient]; complaint and conflict resolution procedures; and other programmatic procedures. The second part will consist of a walk-through of the house for rehabilitation assistance. All parties should understand how the work will proceed. Instructions will be given regarding clean up by the homeowner prior to the work, and the contractor after the work.

D. Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. International Residential Code (IRC) (with windstorm provisions) and International Building Code (IBC) which will be used as required and as appropriate. All rehabilitation projects must comply with Housing Quality Standards (HQS) and all applicable local codes and ordinances. Additional codes and standards requirements are detailed in the General Guidelines.

## XII. CONTRACTOR SELECTION AND PROCUREMENT REQUIREMENTS

A. Federal and State laws Governing Procurement

**Texas Local Government Code - Chapter 252 (Municipalities) and Chapter 262 (Counties)**

The full text of the Chapters from the Texas Local Government Code can be found via the internet at

http://www.legis.state.tx.us/.

1. Chapter 252 Municipal Grant Recipients Construction Bidding Procedures

   - TDHCA's municipal Grant Recipients are generally required to conduct competitive sealed bid procurement for any and all contracts over $50,000.
   - Municipalities are required by state law to advertise their invitation for bids in a newspaper published in the municipality at least once a week for two consecutive weeks. The date of the first publication must be before the 14th day before the date set to publicly open the bids. If no newspaper is published in the municipality, the notice must be posted at city hall for fourteen days prior to the date of the bid opening [Texas Local Government Code Section 252.041(a)].

2. Chapter 262 County Grant Recipients Construction Bidding Procedures

   - TDHCA's county Grant Recipients are generally required to conduct competitive sealed bid procurement for any and all contracts over $50,000.
   - Counties are required by state law to publish a notice in a newspaper of general circulation in the county at least once a week, with the first day of publication occurring before the 14th day before the date of the bid opening. If there is no newspaper of general circulation in the county, the notice must be posted in a prominent place in the courthouse for fourteen days prior to the date of the bid opening [Texas Local Government Code Section 262.025(a)].

3. Texas Government Code, Chapter 2254.

   This code as amended is also known as the Professional Service Procurement Act. This code governs the local government procurement of professional services. It prohibits the procurement of architects or engineers based on bid price and requires government entities to first select the most highly qualified provider based on demonstrated competence and qualifications, and then attempt to negotiate with that provider a contract at a fair and reasonable price. The full text of this act can be found via the internet at http://www.legis.state.tx.us/.

4. Texas Local Government Code, Chapter 171.

   This code as amended requires local government officials to disclose conflicts of interest and sets forth rules that require officials to abstain where they are in a position to vote or make a decision on any matter involving a business entity or real property for which they have an interest in. The full text of this Chapter from the Texas Local Government Code can be found via the internet at http://www.legis.state.tx.us/.

5. Procurement Standards

   Uniform Grant Management Standards (UGMS) - Governor's Office of Budget and Planning (June 2004)

   *NOTE:* The *Procurement Standards* from the Governor's Office of Budget and Planning (UGMS) were incorporated into the changes in OMB Circular A-87 and revised OMB Circular A-102 to make the standards consistent with federal law. In addition to applicable federal and state regulations, many local governments have laws and regulations regarding procurement. The [Subrecipient] is required to be aware of local laws that may affect its procurement policies. Remember, the rule is that the most restrictive regulation applies.

   In cases where state or local law is stricter than federal regulations, the [Subrecipient] must follow the state or local laws and in cases where state or local law is more lenient than federal regulations, the [Subrecipient] must follow federal regulations.

6. HUD Conflict of Interest regulations at 24 CFR 570.489(h).

   This regulation sets forth prohibitions against the use of CDBG funds by employees and officials for private gain.

7. OMB Circular A-102, CFR 24 Part 85.36 - Grants and Cooperative Agreements with State and Local Governments).

   A-102 governs the use of grants, contracts and cooperative agreements.
   Implementation regulations can be found at 24 CFR Part 85.The full text of A-102 can be found via the Internet at http://www.whitehouse.gov/omb/circulars/a102/a102.html .

8. CFR 24 Part 84

   Federal grants and agreements awarded to institutions of higher education, hospitals, and other non-profit organizations.

## XIII. CONSTRUCTION AGREEMENT

A. The construction agreement for stick-built homes will be a tri-party agreement between the Rehabilitation/Reconstruction Contractor, the assisted homeowner and the [Subrecipient] (lender).

## XIV. PROPERTY INSPECTIONS AND FINAL PAYMENT

A. Preliminary Inspections
   1. A preliminary inspection will be conducted by the [Subrecipient] to determine the condition of the unit for each application and to verify hurricane damage if FEMA, Small Business Administration (SBA) or Insurance award letters are not available. The initial inspection will be conducted by the [Subrecipient]'s inspector or another qualified inspector and a list of the deficiencies will be prepared. The inspection will provide an estimate of repair costs to determine whether rehabilitation or reconstruction will be offered and must be in sufficient detail to be utilized in the creation of work write-ups.

B. Progress inspections
   1. Progress inspections serve three primary purposes: a) to evaluate the contractor's progress; b) to confirm that local building codes or standards have been satisfactorily met; and c) to confirm that all requirements of the contract have been met to all parties' satisfaction.

2. At key stages in the project, the [Subrecipient] will schedule inspections. Key stages are times when work such as wiring and plumbing are completed and still exposed prior to the wall or flooring being replaced; or when work being performed by a specialty subcontractor, who will be present for only a short time, is nearing completion.

3. Inspections to approve progress payments will be made at a time requested by the contractor. These inspections will be made promptly upon request so as not to delay the processing of the contractor's payments. If at all possible, the same person will conduct inspections each time.

4. The [Subrecipient] requires that electrical work be completed by an electrician with an approved license from a city or cities that issue such licenses.

5. A master licensed plumber must perform all plumbing work.

6. Building permits are required for all applicable construction work.

7. The assisted homeowner and the [Subrecipient] will sign the inspection forms as acknowledgement that the work was completed and meets their approval. If the assisted homeowner is not satisfied with any aspect of the work, the inspection forms should not be signed until the contractor has corrected the faulty work.

C. Final Inspections

1. When work is nearing completion, the contractor will notify the [Subrecipient] of a specific date when the job will be ready for a final inspection. The purpose of the final inspection is to guarantee that all work called for in the contract has been completed according to specification. If progress inspections were conducted often enough to make mid-course corrections, the final inspection should only need to catch those items which have been done since the last inspection. The final inspection will be as thorough and deliberate as the initial inspection. Finished carpentry, painting, backfilling, electrical fixtures, all single family homeowner activities, and clean-up should be closely checked for completion.

2. The [Subrecipient] will make sure that the assisted homeowner has received all warranties and instruction booklets for installed equipment.

3. As in all construction projects, a punch list will be developed toward the end of the job. A punch list is a listing of items written as specifications, which constitute the work necessary to complete the contract. The contractor and the [Subrecipient] as a result of the final inspection will develop the punch list, although the contractor and the assisted homeowner prior to the final inspection can develop it. Either way, the punch list will represent work yet to be done, not additional work over and above the original or amended contract. Once the punch list has been prepared, no other work items are expected of the contractor. If the punch list contains more than ten (10) items, the contractor is not ready for a final inspection.

D. Certificate of Completion and Owner Acceptance

1. After all items on the punch list have been satisfactorily completed, and all warranties issued, the project can be brought to final resolution. For purposes of accountability, the Single Family Homeowner Program must have written documentation that the assisted homeowner and [Subrecipient] have accepted the work.

E. Warranties and Retainage

1. When final inspection determines that the work is completed in accordance with the contract, the [Subrecipient] will submit the contractor's request for payment and upon receipt of the funds, disburse the funds to the contractor. The [Subrecipient] may retain 10% of the funds pending a supplemental inspection in no less than thirty (30) days. Following a satisfactory supplemental inspection, the retainage will be paid to the contractor upon availability of grant funds following the final thirty (30) day inspection.

2. If any problems are identified in this supplemental inspection, the [Subrecipient] will then notify the contractor to come back and correct the same within a reasonable amount of time, not to exceed two weeks. Should the contractor fail to do so, the [Subrecipient] will not disburse the retainage, the assisted homeowner may take any necessary legal recourse, and the contractor will be barred from performing any more rehabilitation/reconstruction work in the [Subrecipient]. In addition, should the contractor be doing other work under this Single family homeowner Program and fails to correct any warranty problems, no other payments will be made to him/her until such problems are corrected.

3. All work performed by the contractor will be guaranteed for a period of one (1) year. Such warranty will be stipulated in the construction contract between the contractor and the homeowner. For a period of one (1) year, the assisted homeowner may require the contractor to correct defects or problems arising from his or her work under this contract. Should the contractor fail to do so, the assisted homeowner may take any necessary legal recourse as prescribed in the rehabilitation contract. A reasonable amount of time will be given to correct the problem; however, in no case will such time exceed two weeks to respond.

**XV. FILES AND REPORTS**

A. The [Subrecipient] will maintain accurate Single family homeowner Program files and records for general administration activities, for each applicant, and for each assisted homeowner for a period of three (3) years as required by the TDHCA. Such files will be open for inspection as to qualifications, bids, and awards.

**XVI. CHANGES, WAIVERS, AND/OR CONFLICTS**

A. The [Subrecipient] has the right to change, modify, waive, or revoke all or any part of these guidelines, with the written approval of TDHCA.

B. Waivers to the requirements in these Guidelines can only be approved by TDHCA and must be in provided in writing.

C. In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

**ATTACHMENT B**

**Hurricanes Dolly and Ike**
**Homebuyer Assistance Program Guidelines**

## I. INTRODUCTION

A. The Texas Department of Housing and Community Affairs (TDHCA or the Department) is partnering with the Texas Department of Rural Affairs (TDRA) in the administration of funds under a Community Development Block Grant (CDBG) Disaster Recovery Program (Program) funded by the U.S. Department of Housing and Urban Development (HUD) under Public Law 110-329. TDHCA is the lead agency responsible for disaster funds allocated to housing activities. Local entities including Cities, Counties, and Councils of Local Government administer these funds on the local level for housing activities.

B. ~~As called for in the Conciliation Agreement,~~ Housing guidelines have been developed to serve as the basis for housing programs related to Round 2 of the Program. This document is expected to serve as direction for the Homebuyer Assistance activities funded under Round 2. These guidelines do not replace or supersede the guidelines developed and in use under Round 1. Additionally, these guidelines supplement the General Guidelines which provide direction for issues that affect all of the programs and cover all areas of administration not expressly covered in this document. [Subrecipient] must incorporate those elements into their Homebuyer Assistance Program.

C. [Subrecipient] has received Hurricanes Dolly and Ike Round 2 Disaster Recovery Community Development Block Grant (CDBG) funding for a Homebuyer Assistance (HBA) Program administered by TDHCA.

D. Please note that the regular state CDBG program refers to homebuyer assistance (HBA) as "Homeownership Assistance." The use of these terms differs slightly in the CDBG DR Program. The CDBG DR Program makes a distinction to separate activities that benefit hurricane victims who choose to remain in and repair their existing hurricane-damaged home from those who seek assistance to purchase a new home. Homeowners that elect to repair their existing home will be subject to the Homeowner Assistance Guidelines. Hurricane victims that elect to seek assistance to purchase a new home will be subject to this document, the Homebuyer Assistance Guidelines.

E. The applicants' principal residence at the time of the storm must have been impacted by the hurricanes in order to qualify for HBA. In order to assist the subrecipients to meet their Affirmatively Furthering Fair Housing goals, the option to assist applicants who were not homeowners at the time of the storm is available. However, any HBA provided to non HOP-eligible applicants must be needs-based. CDBG regulations restrict homebuyer assistance to the amount up to and including the amount of assistance necessary to facilitate homeownership. For example, it is not a reasonable use of CDBG funding to provide the full amount of assistance, $40,000, when only $5,000 of mortgage gap financing is necessary for a bank to make an affordable loan to purchase the home. The amount of HBA necessary to leverage a private loan or otherwise bring about homeownership for non HOP-eligible applicants must be documented on forms to be provided by TDHCA.

A. Eligible activities for Homebuyer Assistance include traditional HBA activities such as: down payment assistance, principal reduction, all reasonable closing costs including pre-paid items, and principal write-down assistance as required for the property being purchased. These HBA activities are limited to $40,000 for non HOP-eligible applicants. Applicants that are eligible and elect to participate in the HOP qualify for a wider range of activities to facilitate the purchase of a home. HOP homebuyer assistance includes the acquisition (buyout) of the original, hurricane-damaged property combined with the acquisition of another home (if the property to be purchased meets HQS) or the activity of Acquisition with Rehabilitation, Reconstruction and New Construction (if the property to be purchased does not meet HQS or if a lot is purchased on which to build a new stick-built home or locate a MHU).

## II. PROGRAM OBJECTIVES

C. Texas was hard hit by hurricanes and is still in the recovery process both for its communities and it residents. The primary focus of this Program is to provide relief for those people impacted within the goals identified by HUD to affirmatively further fair housing.

D. The following objectives are provided for the implementation and administration of a successful Homebuyer Assistance Program.

4. The primary objective of this Program is to provide decent, safe, and sanitary housing in the hurricane impacted areas through the provision of homebuyer assistance: to facilitate the purchase a home; acquisition with rehabilitation, reconstruction or new construction; and other assistance necessary to make homeownership affordable to applicants in the affected area.

5. A second objective is to ensure that the housing needs of very low, low and moderate- ~~low, very low, and extremely low~~ income households are assisted with housing in no less than the proportion to their relative percentages of the overall populations which suffered housing damage within the communities being served.

6. A third objective is to prioritize the provision of decent, safe, and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

E. Applicants seeking assistance to purchase a home are subject to the HBA Guidelines. ~~HBA applicants are divided into two principal categories: those that are eligible to fully participate in the Homeownership Opportunity Program (HOP) (as described in the General Guidelines) and those who are not. Regardless of the category,~~ All homebuyer assistance must be targeted to the socio-economic subcategories and demographics resulting from the needs assessments as described in the General Guidelines.

   a. Applicants are eligible for the HOP if they meet all three of the following criteria: at or below 80% AMI; owner of a hurricane-damaged home; and the damaged residence was located in a FEMA-designated "High Risk Area" or an area of high minority and poverty concentration as approved by TDHCA. Please note that the ownership and principal residency requirements, as detailed in the General Guidelines, apply to the HOP; however, in order for a buyout and relocation to take place the applicant must be able to prove ownership through possession of fee simple title.
   b. Homebuyer Assistance applicants that are not eligible to participate in the HOP must still meet the following criteria to be eligible for HBA: at or below 80% AMI and primary residence at the time of the storm was damaged by the hurricane.

## III. PROGRAM PURPOSE

A. The provision of homebuyer assistance to facilitate the purchase of new and existing single family homes to benefit hurricane victims. Homebuyer assistance may be provided to applicants who fully qualify for and elect to participate in the HOP and income-eligible households that were affected by the hurricanes but who do not qualify for the HOP. Income-eligible households who do not fully qualify for the HOP include applicants who do not possess fee simple title to the original, hurricane-damaged property to be acquired (bought out) or who cannot obtain clear title within one year of the application date. The [Subrecipient] cannot acquire property for which clear title cannot be obtained.

B. The HOP homebuyer assistance to acquire the original, hurricane-damaged home is not the same program as the FEMA Buyout Program. If a buyout is involved in the TDHCA Disaster Recovery Program, it is a phase of an activity to help hurricane victims in FEMA-designated High Risk areas ~~100-year flood zone~~ and areas of high minority and poverty concentrations relocate to areas that do not exhibit those characteristics. It will involve both the buyout of the original property and permanent relocation of the beneficiary.

C. Under the HOP, applicants receive assistance from trained counselors to determine the housing activities that offer the best option for the household. The options include remaining in the original, storm-damaged home, the purchase of a new home or the purchase of a vacant lot on which to build a home. For those that opt to move from their existing home located in a FEMA-declared High Risk area or areas of high minority and poverty concentrations (as confirmed by TDHCA), title to the existing property will be transferred to the Subrecipient without a separate ~~is purchased at the pre-storm tax appraisal value~~ acquisition "buyout" of the existing property. The value of the existing property is replaced by the cost of the replacement home.

## IV. TARGET AREAS

A. Indicate service area [Subrecipient]'s political boundaries.

B. Indicate any particular areas in those boundaries where assistance will be targeted to affirmatively further fair housing through disaster recovery. The Phase 1 Analysis of Impediments will help establish these target communities by providing detailed maps on minority and poverty concentrations. Assistance will be provided to the subrecipients by TDHCA to determine FEMA-designated High Risk areas prior to and including the environmental review process.

## V. ELIGIBLE BENEFICIARIES

A. Assistance under this activity may ~~not~~ be extended to households whose incomes may not exceed 80% of the Area Median Family Income (AMFI). All homebuyer assistance must be targeted to the socio-economic subcategories and demographics as described in the General Guidelines.

## VII. AMOUNT OF ASSISTANCE

A. HBA assistance is capped ~~activities are limited~~ to $40,000 for non HOP-eligible applicants.

B. HOP Homebuyer Assistance is limited to the Housing Assistance Caps in the General Guidelines. The base unit "bid" amount is the maximum amount of assistance available to purchase a new/existing home. It is set when the standardized set of new home specifications in the General Guidelines are bid locally. The intent of this rule is to equalize the funding available for different activities and choices. HOP Homebuyer Assistance allows for additional costs above the base unit amount including any necessary accessibility items or features abatement measures, and services. Additional costs are specified and capped in the General Guidelines.

   a. The services category is limited to $15,000 or actual costs and includes costs such as real estate professional fees, moving expenses and utility connection costs. ~~(such as real estate professional fees, etc.).~~ Services are limited to applicants who qualify for the HOP.

b. The vacant land limit is set at $35,000. Although this is the cap, it is not also the floor; the actual lot cost should not exceed the standard single lot size in the community.

C. Housing purchases that exceed the maximum limits must be paid for with other sources of funds or a mortgage obtained by the homebuyer. The maximum total purchase price of the home to be acquired may not exceed the limits set for Single Family Mortgages in Section 203(b) of the National Housing Act.

D. Temporary relocation assistance may be offered at the discretion of the [Subrecipient]; however, the assistance may not exceed $5,000 per household. It is anticipated that the assistance will be provided when the closing occurs for the new or existing home purchase and temporary relocation assistance may not be necessary.

## VIII. PROGRAM LIMITATION

Applicants participating in the Buyout Program must contribute 100% of the assistance received under that Program toward the purchase of the newly acquired property.

## IX. PROPERTY TYPE

A. Eligible properties that can be purchased:

- Single-family property (detached and attached 1-4 units)
- Condominium unit
- Cooperative unit
- Modular home/Manufactured home
- Vacant land

## X. TYPES OF IMPROVEMENTS

H. For HOP Homebuyer Assistance activities involving acquisition with rehabilitation, reconstruction or new construction, [Subrecipient] must follow the guidance in the Single Family Homeowner Program Guidelines for construction requirements (Section XI), contractor selection (Section XII), construction agreement (Section XIII), and property inspections and payment (Section XIV).

I. In addition to financial assistance provided for the purchase of the property, funding may also be used for the following items up to the maximum assistance amount allowed:

1. Improvements needed to meet HUD Section 8 Existing Housing Quality Standards, and Cost Effective Energy Measures are eligible improvements.

2. Improvements must be physically attached to the house and be permanent in nature (e.g., sheds or garages located separately from the house are ineligible). Eligibility of attached structures such as carports or utility rooms is based upon available funds and agreement by TDHCA in cases where safety or the structural integrity of the house is involved.

3. Improvements will include as necessary lead-based paint abatement, asbestos abatement, handicapped accessibility for special needs, energy efficiency or ventilation items such as ceiling fans, window screens, screen doors, and window blinds.

4. Individual Mitigation Measures (IMM) that mitigate and/or reduce risk for future disasters where the measures are above and beyond federal, state, or local construction or code requirements, and additionally the improvements exceed those that existed prior to the storm. Examples include elevation above the base flood elevation level, the addition of storm shutters, hurricane proof windows, roof straps, etc. as long as those improvements are not required to comply with local code or wind zone requirements.

5. Cook stoves, refrigerators, and other necessary appliances are eligible items, but will only be considered when they are not present or the repair would not be cost effective. They will be dealt with on a case-by-case basis.

6. Required permits, if any, will be obtained by the contractor at his/her expense and will be included as part of the bid costs.

7. Assistance will not be used for luxury items, including but not limited to garage door openers, security systems, swimming pools, fences, and television satellite dishes.

## XI. INSPECTION STANDARDS

A. A representative of [Subrecipient] will inspect all properties to ensure they meet Section 8 Housing Quality Standards at a minimum prior to application approval. However, the inspection will not serve to assure the buyer that the property is free of defects. Therefore, the [Subrecipient] should strongly encourage lenders and real estate professionals to advise potential homebuyers to have an inspection performed for their benefit. The inspection must be performed by a qualified or licensed real estate inspector and/or licensed contractor for specialized inspections, i.e., plumber, electrician, HVAC mechanic. The homebuyer's inspection, or any other inspection report, will not be substituted for the [Subrecipient] inspection.

B. Properties built prior to 1978 may contain lead-based paint and will be visually inspected by the [Subrecipient]'s designated inspector for defective paint. If a property fails the visual inspection, it will be determined unacceptable until the painted surfaces are corrected. All applicable sales contracts must include the "Addendum for Seller's Disclosure of Information on Lead-based Paint & Lead-based Paint Hazards as Required by Federal Law".

## XII. ENVIRONMENTAL REVIEW

A. An environmental review must be performed on the property prior to federal funds being committed by the [Subrecipient] (24 CFR Parts 50, 58, 574, 582, 583, and 970). No commitment or disbursement of funds will occur prior to the completion of this review. The environmental assessment reviews the wetlands, coastal zones, flood zones, and runway clear zones. If the environmental assessment determines that the property is in the flood zone, the Lender is required to escrow hazard and flood insurance for the life of the 1st loan. Also, the Disaster Recovery Program will not assist homes that have been determined to be in the floodway.

## XIII. UNIFORM RELOCATION ACT

A. The Uniform Relocation Act (URA) applies to federally assisted homebuyer programs. Under the CDBG Program guidelines, the Seller(s) must not displace tenants of the property being purchased. The applicable "Notice to Seller(s)" must be signed and dated by the Seller and placed in the applicant's file.

## XIV. USE OF FUNDS

A. Direct financial assistance to offset portions of the down payment, reasonable closing costs, pre-paid items and/or principal write-down assistance required for a home purchase. Prepaid items include but are not limited to the initial payment for hazard insurance, flood insurance, and mortgage insurance.

## XV. COUNSELING EDUCATION PROGRAM

A. The applicant must complete at least eight (8) hours of homebuyer education from any participating HUD Approved Housing Counseling Agency prior to acceptance into the Program. The certification for the course is valid for one year. Counseling programs will encourage individuals to participate in homeownership and provide a method to track the achievement of the homeownership goal. Costs of the program vary depending on who provides the courses. <u>The National Housing Services (NHS) homebuyer assistance curriculum is preferred.</u>

## XVI. TERMS OF ASSISTANCE

A. Assistance that meets or exceeds $40,000 requires a ten year affordability period (Affordability Period).

B. Throughout the affordability period, the homeowner is required to maintain principal residency, maintain hazard and, if applicable, flood insurance, and pay property taxes on the assisted property. Failure to maintain hazard insurance ~~on the life of the property~~ may result in the lack of future federal assistance; however failure to maintain flood insurance (if required because the property is in a floodplain) will result in the lack of future federal assistance <u>should a future disaster event occur.</u>

## XVII. LOAN TERMS

A. The Disaster Recovery Program loan is not assumable during the Affordability Period.

B. Future subordinations of the Disaster Recovery Program loan to a newly obtained senior loan are subject to TDHCA's discretion.

C. The applicant must occupy the property as his/her principal residence throughout the Affordability Period. If the applicant occupies the property as his/her principal residence for the Affordability Period, no recapture restrictions will apply.

D. If the property is sold (including foreclosure) transferred and /or is no longer the homeowner's primary residence during the Affordability Period, the [Subrecipient] may recapture a portion of the remaining balance of the Disaster Recovery Program loan note. The homeowner will receive a twenty (20) percent credit for each year the property is his/her principal residence. The maximum amount the [Subrecipient] will recapture will be the full amount of the Disaster Recovery Program loan note and any balance would immediately become due and payable to the [Subrecipient] who will remit the proceeds to TDHCA.

E. If the homeowner vacates or rents the property, the full amount of the Disaster Recovery Program loan will be immediately due and payable, unless the homeowner establishes his/her actual residency pursuant to evidence acceptable to TDHCA, in which case the homeowner will receive a twenty (20) percent credit for each year the property is his/her principal residence.

F. In the case of other default during the Affordability Period, the [Subrecipient] may pursue all remedies available under the Disaster Recovery Program loan note, the Disaster Recovery Program loan Deed of Trust, or other Disaster Recovery Program loan documents. During the continuance of any such default, the Disaster Recovery Program loan shall bear interest at a rate of six percent (6%) per annum (“Default Rate”).

G. Applicants that fully participate in the HOP Homebuyer Assistance Program, which includes the buyout of the original, hurricane-damaged property and the acquisition of a new/existing home, will have a lien recorded in the county courthouse preventing cash-out refinancing, home equity loans, or utilization of the relocation home as collateral for the full term of the affordability period unless expressly permitted by TDHCA.

**XVIII. FILES AND REPORTS**

B. The [Subrecipient] will maintain accurate Homebuyer Assistance Program files and records for general administration activities, for each applicant, and for each assisted homeowner for a period of three (3) years as required by the Department. Such files will be open for inspection as to qualifications, bids, and awards.

**XIX. CHANGES, WAIVERS, AND/OR CONFLICTS**

D. The [Subrecipient] has the right to change, modify, waive, or revoke all or any part of these guidelines, with the written approval of TDHCA.

   E. Waivers to the requirements in these Guidelines can only be approved by TDHCA and must be provided in writing.

   F. In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

**ATTACHMENT C**

**Hurricanes Dolly and Ike**
**Rental Program Guidelines**

## I. INTRODUCTION

A. The Texas Department of Housing and Community Affairs (TDHCA or the Department) is partnering with the Texas Department of Rural Affairs (TDRA) in the administration of funds under a Community Development Block Grant (CDBG) Disaster Recovery Program (Program) funded by the U.S. Department of Housing and Urban Development (HUD) under Public Law 110-329. TDHCA is the lead agency and responsible for disaster funds allocated to housing activities. Local entities including Cities, Counties and Councils of Local Government administer these funds on the local level for housing activities.

B. ~~As called for in the Conciliation Agreement,~~ Housing Guidelines have been developed to serve as the basis for housing programs related to Round 2 of the Program. This document is expected to serve as direction for the Rental Program activities funded under Round 2. These Guidelines do not replace or supersede the Guidelines developed and in use under Round 1. Additionally, these guidelines supplement the General Guidelines which provide direction for issues that affect all of the programs and cover all areas of administration not expressly covered in this document. [Subrecipient] must incorporate those elements into their Rental Program. At the option of the Subrecipient, rental program activities may be offered as a housing program to the residents of the Subrecipient's jurisdiction. Rental activities may include single family or multifamily rental activities or both.

C. [Subrecipient] has received Hurricanes Dolly and Ike Round 2 Disaster Recovery Community Development Block Grant (CDBG) funding for a Rental Program administered by the Texas Department of Housing and Community Affairs (TDHCA or the Department).

D. Benefit to Low to Moderate Income (LMI) is the only National Objective that is approved for the Rental Program under Round 2. Eligible activities, which are defined in the General Guidelines, are as follows: rehabilitation, reconstruction, replacement, or new construction, and associated elevation and demolition. [Subrecipient] may also provide assistance for Individual Mitigation Measures (energy efficiency and storm mitigation activities).

## II. PROGRAM OBJECTIVES

A. Texas was hard hit by hurricanes and is still in the recovery process both for its communities and it residents. The primary focus of this program is to provide relief for those people impacted with consideration given to affirmatively further fair housing, as called for within the Fair Housing Act.

B. The following objectives are provided for the implementation and administration of a successful Rental Program.

7. The primary objective of this Program is to provide decent, safe, and sanitary housing in the hurricane impacted areas through the provision of activities designed to mitigate storm damage that occurred as a result of Hurricanes Dolly and Ike, as well as any future hurricanes.

8. A second objective is to ensure that the housing needs of very low, low and moderate- ~~low, very low and extremely low~~-income households are assisted with housing in no less than the

proportion to their relative percentages of the overall populations which suffered housing damage within the communities being served.

9. A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

## III. PROGRAM PURPOSE

A. The Hurricane Ike Disaster Recovery (DR) Affordable Rental Program has been designed the to provide funds for rehabilitation, reconstruction, and/or new construction of affordable multi-family and single family rental housing projects in areas impacted by Hurricane Ike or Dolly. Funding is available through the Community Development Block Grant (CDBG) Disaster Recovery Program, administered by the Texas Department of Housing and Community Affairs (TDHCA).

B. The purpose of the Affordable Rental Program is to facilitate the rehabilitation, reconstruction, and/or new construction of affordable rental housing needs within the [Subrecipient]'s service area. Units qualifying for assistance must have sustained damage from Hurricanes Ike or Dolly. A minimum of 51% of the units must be restricted for ten or more years to low to moderate income (LMI) individuals earning 80% or less of the Area Median Family Income (AMFI) at affordable rents. The rents must comply with High HOME Investment Partnership (HOME) Rents and other existing Land Use Restriction Agreement (LURA) restrictions if applicable. HOME rent limits are defined by HUD and must equal the lesser of fair market rents or 30% of the adjusted income for people earning 65% of the AMFI and can be found on TDHCA's website at (http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/) and (http://www.tdhca.state.tx.us/pmcdocs/10-FMR-TBRA.pdf)

**Multifamily Rental Program**

## I. TYPES AND AMOUNTS OF ASSISTANCE

A. The maximum award cap under the Affordable Multifamily Rental Program is $10,000,000 per development. Exact award will depend upon the amount of storm damage, the cost reasonableness of funds bringing the property up to Housing Quality Standards (HQS), and other funding sources available. Eligible costs include hard costs for construction and soft costs associated with repair or construction of rental units plus other costs permissible under 24 CFR 570.

B. The CDBG funds may not be used to pay for damages covered by any FEMA reimbursement, SBA assistance, insurance claim, or any insurance policy including delayed or future payments anticipated under insurance policies.

C. The CDBG Affordable Rental Program funds will be in the form of a 0% performance-based loan and will be forgiven when all contractual obligations have been met, including satisfactory completion of construction and compliance with the ten-year affordability period. The terms of the loan / grant may be modified by agreement, if necessary, given other requirements from other financial programs (i.e. tax credit programs, etc.).

D. A Land Use Restriction Agreement (LURA) will be placed on developments and any applicable lenders must agree to subordinate to the LURA. The Developer / Borrower will guarantee completion of construction until a certificate of occupancy has been issued and retainage has been released. There is a ten year affordability period under the LURA.

E. Project construction must be completed within 18 months of the effective date of the contract, unless otherwise extended.

## II. PROPERTY ELIGIBILITY

A. All properties must be located within the jurisdiction of the Subrecipient and sustained damage from Hurricane Ike or Dolly.

B. Any Subrecipient that intends to offer an Affordable Multifamily Rental Program must develop a NOFA or application process to fund rehabilitation of existing multifamily housing developments or replacement of damaged units through reconstruction or new construction. Projects evaluated for awards are evaluated according to the priorities established in the NOFA or application. <u>The NOFA or application process must comply with Selection Criteria requirements identified in Section IV, paragraph A of these guidelines.</u>

C. Hurricane damaged or destroyed projects awarded assistance will typically be in the 10-30 year old range. The repair/replacement assistance will extend the useful life of the development at least ten years.

D. Proposed new construction located in the 100-year flood plain as identified on the most current Federal Emergency Management Agency (FEMA) Flood Maps must comply with the TDHCA flood policy found in 10 TAC Part 1 Section 50.6.

E. At a minimum, 51% of the total number of units in the development must benefit low-moderate income persons earning 80% or less of Area Median Income as defined by HUD and detailed in the Housing and Community Development Act of 1974 (HCDA) Title I, 105(a).

F. Rent restricted units occupied by low-moderate income households must be occupied at affordable rents. The units occupied low-moderate income households must comply with the High HOME rent limits published by TDHCA under the HOME program. Rent restrictions for the units occupied by LMI households apply through the ten year affordability period. Compliance with rent limits is calculated in the same manner as the HOME program.

## III. PARTICIPANT ELIGIBILITY REQUIREMENTS

A. For-profit, public housing authorities, units of local governments and not-for-profit Developers/ Borrowers, acting individually or as participants in a limited partnership [LP] or limited liability corporation [LLC] are eligible to participate. Not-for-profit entities must provide evidence of IRS tax-exempt status. <u>Developments are required to list properties on PHA landlord list and provide notification to DHAP providers.</u>

B. The Applicant, Development Owner, Principal or Developer/Borrower must be in good standing with any outstanding loans and loan commitments. There may be no defaults or negative collection actions on current or previous loans.

C. No Applicant, Developer Owner, Principal or Development/Borrower or General Contractor may be “debarred” from the federal and state debarment lists, in accordance with 24 CFR §570.609, as well as other applicable laws.

D. Applicant, Developer Owner, Principal or Developer/Borrower must provide a complete listing with addresses of multifamily properties currently owned or managed.

## IV. SELECTION CRITERIA

A. Any Subrecipient that intends to offer an Affordable Multifamily Rental Program must develop a NOFA or application process. The application or NOFA process should identify the properties that provide the greatest benefit to the community to those with the greatest need. The Subrecipient will develop criteria to award funds to the projects meeting the housing goals and objectives the program, and fair housing as well as those of the community. <u>All awards must be made to applicants that demonstrate capacity to complete the development planned in the application.</u> The <u>Selection Criteria utilized must be consistent with overcoming the impediments identified in the Interim AI. The NOFA or application must meet the following criteria:</u>

a. <u>Direct funds to the needs of the community as determined by the Needs Assessment.</u>
b. <u>Use of the funds must affirmatively further fair housing and increase housing choice; therefore, selected criteria must be consistent with overcoming impediments identified in the Phase 1 Analysis of Impediments.</u>

B. A Land Use Restriction Agreement (LURA) will be placed on each multifamily development receiving disaster funds to repair, construct or reconstruct rental units. The LURA sets forth income and rent restrictions applicable to units of affordable rental housing with respect to the specific affordable rental housing. These documents will be filed with the local county clerk’s office in the land records. The LURA must be approved by TDHCA and require all multifamily projects and projects with 20 or more single family units under common ownership to accept of section 8 housing choice rental vouchers during the affordability period. The LURA imposes the requirements on the property for the full ten (10) years affordability period.

C. Criteria developed by the Subrecipient to identify projects providing the greatest benefit to the community may consider the following:

1. Projects are encouraged to increase the number of affordable units by exceeding the requirement to lease 51% of the units to low/moderate income households.

2. Projects are encouraged to provide units to households with the highest need for affordable housing by agreeing to create set asides targeting ~~extremely~~ ~~low,~~ very low~~. income~~, low, and moderate income tenants.

3. <u>Projects are encouraged to provide broader access to persons with disabilities through single story structures or those served by an elevator.</u>

4. Projects are encouraged to meet low-maintenance and energy efficiencies by installing energy efficient products and low maintenance items. Combinations of the following items can be used up to the maximum number of points.

a. Install water-conserving fixtures in all units with the following specifications for toilets and shower heads, and follow requirements for other fixtures wherever and whenever they are replaced: toilets – 1.6 gallons per flush; showerheads – 2.0 gallons per minute; kitchen faucets – 2.0 GPM; bathroom faucets – 2.0 GPM:
b. Install Energy Star or equivalent refrigerators in all units:
c. Install Energy Star or equivalent lighting fixtures in all interior units and use. Energy Star or high-efficiency commercial grade fixtures in all common areas:
d. Use tankless hot water heaters or install conventional hot water heaters in rooms with drains or catch pans piped to the exterior of the dwelling and with non-water sensitive floor coverings (for all units):
e. Install Energy Star or equivalent power vented fans or range hoods that exhaust to the exterior (in all units):
f. Install Energy Star or equivalent bathroom fans in all units that exhaust to the outdoors which has a humidistat sensor or timer, or operates continuously in all units:
g. Install correctly sized HVAC units (according to Manual J) of at least 14 SEER or better in all units:
h. Perform an energy analysis of existing building condition, estimate costs of improvements, and make those improvements resulting in a 10 year or shorter payback:

## V. PROGRAM REQUIREMENTS

Projects awarded disaster recovery funds must satisfy <u>six</u> levels of eligibility requirements.

A. The project will also be reviewed in terms of financial feasibility with the objective to repair existing hurricane damage and bring the property up to standard to extend the useful life or replace the severely damaged units. Financials, proformas, and loan information as well as the sources and uses of funds must be submitted identifying the proposed financing sources and expenses of the project.

B. Upon allocation for funding, the property will go through environmental review.

C. Rehabilitation or construction activities. The Developer / Borrower must submit an acceptable Property Condition Assessment (PCA) conducted by a qualified third party. In addition to repair costs identified in the PCA, other costs will be considered if they extend the useful life of the project. The project costs must be reasonable and typical in the current marketplace for projects of similar scope. Plans and specifications must be submitted for replacement units.

D. The project must comply with all applicable federal and state requirements.

E. <u>The project must address identified impediments to fair housing choice.</u>

F. <u>The project must serve the local population impacted by the hurricanes.</u>

## VI. UNDERWRITING

A. The proposed multifamily projects will go through underwriting which will review the ownership structure, property operations, the sources and uses of funds, and the financial statements of the owner and guarantor (if applicable).

B. The underlying debt and operating expenses of the property will be reviewed to determine if the project is feasible during the affordability period and demonstrates income adequate to cover operating expenses and applicable debt service.

C. Sources and uses will be reviewed to determine the adequacy of the funding to complete the project in conjunction with the PCA. The scope of work including the repair of any hurricane damage will be assessed.

D. Following underwriting, a contract will be executed between the developer and the Subrecipient. This contract will specify the terms under which the funding is provided to the project; the number of units to be renovated / developed; the affordability period; and other conditions of the agreement.

## VII. ENVIRONMENTAL REVIEW

A. Each development assisted with CDBG Disaster Recovery funds must be environmentally cleared. No commitment or disbursement of funds will occur prior to the completion of this review. The environmental assessment reviews the wetlands, coastal zones, flood zones and runway clear zones.

B. Rental Program funds cannot be used to assist rental units (Multi and single family) that have been determined to be in the Coastal Barrier Resource Zones or airport runway clear zones. Once the Environmental Review is complete the review is forwarded to TDHCA for environmental clearance.

C. The Developer / Borrower must comply with all applicable laws with respect to lead based paint in conjunction with Section 302 of the Lead Based Paint Poisoning Prevent Action (42 USC Section 4831(b)), as well as the presence of asbestos containing materials within the project.

D. A Property Condition Assessment must be conducted for rehabilitation. The PCA must conform to American Society for Testing and Materials (ASTM - http://www.astm.org/) "2018 Standard Guidelines for Property Condition Assessments." The Developer / Borrower are also directed to the TDHCA Section 1.36 of the 2009 REA Rules for PCA guidance (http://www.tdhca.state.tx.us/readocs/10-REARules.pdf).

## VIII. CONSTRUCTION

A. Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. When CDBG funds are used for a rehabilitation development, the entire unit must be brought up to the applicable property standards and meet Housing Quality Standards. All newly constructed including reconstructed housing units must meet the current edition of the Model Energy Code (MEC) (http://www.energycodes.gov/implement/pdfs/modelcode.pdf) published by the Council of American Building Officials. TDHCA will conduct a final inspection of the development. Common areas and units are subject to a Uniform Physical Conditions Standards inspection. Any deficiencies identified in that inspection must be corrected before final retainage is released.

B. Housing developments must meet all accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794). Multifamily housing developments must meet the design and construction requirements at the Texas Administrative Code, Title 10, Chapter 60, Subchapter (B) 10 TAC § 60.201-211). Covered multifamily dwellings, as defined at 24 CFR §100.201, as well as common use facilities in developments covered cover dwelling must meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C.3601-4619).

C. The Developer/borrower must comply with Labor Standards; Section 3 Plan; Minority / Business Enterprise (MBE); Small Business Enterprise (SBE) requirements; Affirmative Marketing; and Contractor Clearance.

D. The project costs must be "reasonable and customary" as determined by an acceptable, independent third party report or considered reasonable as documented by a bidding process.

E. All contracts will be payment and performance bonded. All projects are subject to The Davis-Bacon Wage Act (40 USC 276a-276-a5, 24 CFR Part 70), The Contract Work Hours and Safety Standards Act (40 USC 327 et seq), The Copeland "Anti-Kickback" Act (18 USC Sec 874), Section 3 (24 CFR Part 135) requirements, reporting and goals and should budget accordingly.

F. Prior to commencement of construction, the Developer / Borrower must have a notice to proceed. Scatter site projects owned by a sole owner with 8 or more units must comply with the Davis-Bacon Wage Act (40 USC 276a-276-a5, 24 CFR Part 70).

G. The report and AIA forms 702 and 703 will be required prior to funding each draw request.

H. Ten percent (10%) of each draw will be held as retainage until satisfactory completion of the project.

**COMPLIANCE REQUIREMENTS**

**IX. LABOR STANDARDS**

A. All applicable developments must comply with applicable labor standards, including, but not limited to Davis-Bacon wages, Section 3, Minority / Business Enterprise, and Small Business Enterprise. Under the federal Davis-Bacon Wage Act (40 USC 276a-276-a5, 24 CFR Part 70, 24 CFR §570.603), prevailing wages must be paid on all construction and related work on projects that have eight (8) or more units.

B. The following information will be provided on all projects to the TDHCA Labor Standards Specialist:
   1. Notes of bid and preconstruction conferences as well as attendance rosters with attendees signatures.
   2. Notice to Proceed.
   3. All Department of Labor (DOL) General Wage Determination reports showing prevailing wages applicable to each project throughout the construction phase.
   4. Final Wage Compliance Report
   5. Davis-Bacon communications, including:
      a. Department of Labor communications
      b. Letters to Contractor(s) requesting payments of restitution owed to workers and liquidated damages, including copies of letters confirming Contractor(s) compliance and / or resolution of labor-related issues. Department of Labor (DOL) Semi-Annual Report with all required reporting data associated with the CDBG-DR Hurricane Ike award.
      c. Additional documentation as required by TDHCA.

## X. RELOCATION

A. The Developer/Borrower is responsible for the relocation activities related to the project. The Developer / Borrower shall comply with program regulations at 24 CFR §570.606, the Uniform Relocation Assistance and Real Property Policies Act of 1970 (“URA”), as amended, at 49 CFR §24, and §104(d) of the Housing and Community Development Act of 1974, as amended, at 24 CFR §42.

B. If applicable, Developer / Borrower shall submit to the Subrecipient copies of all documentation relating to URA, including but not limited to, a Relocation Plan with Assurance Letter, Notice to Real Property, Tenant Status Reports, and all Notices with Tenant Acknowledgments as required by the URA.

## XI. PROJECT COMPLETION AND RELEASE OF RETAINAGE PROCEDURES

A. When a project is finished, the procedures listed below will be followed to document completion and allow for retainage (the last 10% of project costs) to be paid. List of items include:

1. Developer / Borrower submits Final Draw for Retainage. This draw is identical in form to the others and includes the final inspection report from the third party inspector indicating that the project is complete.
2. Developer / Borrower completes and submits a Final Wage Compliance Report.
3. Developer / Borrower submits Certificate of Occupancy for project.
4. Developer / Borrower submits letter certification from Architect that project meets requirements of the Americans with Disabilities Act.
5. Developer / Borrower submits Certificate of Substantial Completion, and AIA form that is signed by the Owner, General Contractor, and Architect.
6. Developer / Borrower submits Lien Release from General Contractor to show that all subcontractors have been paid. (Contractor = Subrecipient) and (Subcontractor = Building Contractor)

## XII. PROJECT LEASE UP PROCEDURES

A. Multifamily developments assisted with CDBG funds are required to have a project tenant selection policy (TSP), Affirmative Marketing Plan, and schedule of leases & rents to ensure compliance with CDBG requirements. The tenant selection policy must be:

1. Written and displayed at the project leasing in a common area.
2. Consistent with the purpose of providing housing for families making 80% or less of AMFI.
3. Reasonably related to program eligibility and Lessee’s ability to perform under the lease.
4. Chronological, so that tenants taken from a written waiting list are assisted in order.
5. Designed to give prompt written notice of the grounds for rejection to any Lessee rejected based on income.

## XIII. ANNUAL MONITORING PROCEDURES

A. Completed projects require annual monitoring. Monitoring will be conducted by the Subrecipient throughout affordability period. The results and reviews of monitoring activities ensure the provision of safe, decent, affordable rental housing in compliance with all applicable regulations. Income targets and rents must comply with Affordable Rental Program LURA requirements and other compliance requirements. Monitoring includes:

1. On-site inspection of rehabilitated properties to ensure compliance with Housing Quality Standards (HQS) under 24 CFR Sec. 982-401.

2. Compliance Standards Review (CSR) to ensure compliance with the CDBG regulations and the NOFA, but not limited to, the following:
   a. Affordable Rental Housing
   b. Subsequent Rents during the Affordability Period
   c. Initial and Annual Recertification of Tenant Income
   d. Periods of Affordability
   e. Tenant and Participant Protection (lease term, prohibited lease terms, tenant selection policy)
   f. Civil Rights Act of 1964 and amendments
   g. Section 504 of the Rehabilitation Act of 1973
   h. Architectural Barriers Act and the Americans with Disabilities Act
   i. Design and Construction requirements
   j. For Rehab projects, entire structure must meet Housing Quality Standards
   k. Benefit all income targets including the CDBG LMI requirement to least 51% of the units to LMI households.
   l. Affirmative Marketing
   m. National Flood Insurance Program
   n. Displacement, relocation, acquisition, and replacement
   o. Lead-Based Paint Compliance
   p. Fair Housing and Equal Opportunity
   q. <u>Section 3 (24 CFR Part 135)goals and reporting requirements</u>
   r. <u>Applicant data reporting as required by the Conciliation Requirement</u>

3. Notification in writing of the results of the monitoring activity will be provided to the borrower, with a stated corrective action plan, if one is needed.

**XIV. FILES AND REPORTS**

A. The [Subrecipient] will maintain accurate Rental Program files and records for general administration activities, for each development and tenant for a period of ten (10) years as required by the TDHCA. Such files will be open for inspection to TDHCA or any of its duly authorized representatives, or funding source representatives.

**XV. CHANGES, WAIVERS, AND/OR CONFLICTS**

A. The [Subrecipient] has the right to change, modify, waive, or revoke all or any part of these guidelines, with the prior written approval of TDHCA.

**Single Family Rental Program**

A single family rental program's goal is to restore existing neighborhoods and to increase the affordable rental stock in a community affected by Hurricanes Ike or Dolly. Applicants receiving CDBG Disaster Recovery funds to rehabilitate or reconstruct damaged properties agree to lease the rental units to low-moderate income households (80% of Area Median Income or less) at restricted rents. Rents must comply with the High HOME rent limits.

The CDBG funds are provided in the form of a forgivable loan / grant.

**I. TYPES AND AMOUNT OF ASSISTANCE**

A. The Subrecipient will develop a process to accept applications for funding to serve low, very low, extremely low and moderate-income households. Funding priorities will be developed in a manner that affirmatively furthers fair housing objectives.

B. The maximum award cap under the Single Family Rental Program is based on the number of bedrooms in the rental unit. The exact award will depend upon the amount of storm damage, the cost of rehabilitation or reconstruction up to maximum award amount. When a rental unit is assisted with disaster recovery funds, the entire unit must be brought up to Housing Quality Standards (HQS). Eligible costs include hard costs for construction and soft costs associated with repair or construction of rental units plus other costs permissible under 24 CFR 570.

Table A: Maximum Awards

| | One Bedroom | Two Bedrooms | Three Bedrooms |
|---|---|---|---|
| Max award | $50,000 | $60,000 | $70,000 |

## II. PROPERTY ELIGIBILITY

A. All properties must be located within the jurisdiction of the Subrecipient and sustained damage from Hurricane Ike or Dolly.

B. Properties maybe rehabilitated, or replaced by reconstruction or new construction of the dwelling.

C. Single Family, detached dwellings are eligible for assistance and must contain between one and three bedrooms <u>at a minimum; priority is given properties with three or more bedrooms</u>. Condominiums, townhomes, duplexes, triplexes or four-plexes are not eligible.

D. Any Subrecipient that intends to offer an Affordable Single Family Rental Program must develop an application process to fund rehabilitation of existing multifamily housing developments or replacement of damaged units through reconstruction or new construction. Projects evaluated for awards are evaluated according to the priorities established in the application.

E. Upon completion, the single family homes must meet Housing Quality Standards and benefit low-moderate income persons earning 80% or less of Area Median Income as defined by HUD and detailed in the Housing and Community Development Act of 1974 (HCDA) Title I, 105(a).

F. The rent for the unit occupied by the low-moderate income household must be occupied at affordable rents. The units occupied low-moderate income households must comply with the High HOME rent limits published by TDHCA under the HOME program through the affordability period. Compliance with rent limits is calculated in the same manner as the HOME program.

G. Units do not have to be rental stock prior to application for assistance, however must be rented to certified LMI households if awarded repair or replacement funds.

H. Housing units located where federal assistance is not permitted by the Coastal Barriers Resource Act or within runway clear zones of either a civil of military airport are not eligible.

I. Each property must currently have access to water, electricity, and sewer or septic service, or hookups to provide those services.

J. The on-going maintenance of hazard and flood insurance is a program requirement <u>where applicable</u>.

## III. PARTICIPANT ELIGIBILITY REQUIREMENTS

A. Individual owners with fee simple title to the property are eligible to participate.

B. The owner must be in good standing with any loans on the property or in default or negative collection actions on any current or previous loans.

C. The property taxes must be current on the property.

D. The owner of the property may be "debarred" from the federal and state debarment lists, in accordance with 24 CFR §570.609, as well as other applicable laws.

E. The owner must provide a complete listing with addresses of other rental properties currently owned or managed.

F. All applicants must not owe any child support payment(s) under any court order.

If an applicant is not current on child support payments, that member will be required to enter into a payment plan and must supply a copy of the payment plan signed by all applicable parties, along with documentation that they are current on their payment plan. The required forms and instructions can be found under Homeowner Assistance Forms at: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/forms/index.htm.

## IV. SELECTION CRITERIA

A. Any Subrecipient that intends to offer a Single Family Rental Program must develop an application process. The application process should identify the properties that provide the greatest benefit to the community with the greatest need. Applications will be developed with criteria to allow the Subrecipient to determine which projects meet the housing goals and objectives of the community as well as affirmatively further fair housing objectives.

B. Criteria developed by the Subrecipient to identify projects providing the greatest benefit to:

1. To expand the affordable housing stock priority is given to vacant units in a condition that is not suitable for occupancy.
2. To encourage a vested interest in the projects, priority is given to projects where the landlord contributes at least 25% of the funds necessary to repair the property.
3. To encourage housing for families, priority is given to projects with three bedrooms or more.
4. Projects near public transportation, shopping and schools are considered in the point structure. Near is defined as within a 2 mile radius.
5. Single family rental structures must comply with Texas Government Code, Section 2306.154.

## V. PROGRAM REQUIREMENTS

A. Housing assistance funds must satisfy four levels of eligibility requirements.

1. The property must meet eligibility requirements listed under Section II. The property must require repair, rehabilitation or reconstruction and the owner must provide documentation or third party inspections to support storm damage.
2. The property must pass a federally required environmental review.
3. Rehabilitation or construction activities. A Property Condition Assessment must be conducted by a third party. The work write up must be completed in sufficient detail to

obtain bids or cost estimates. Rehabilitation of the residence must bring the property into compliance with local health, safety and building codes and pass a Housing Quality Standards inspection. The project costs must be reasonable and typical in the current marketplace for projects of similar scope. Plans and specifications must be submitted for replacement units.

4. The project must comply with all applicable federal and state requirements.

## VI. UNDERWRITING

A. The Subrecipient will determine the type of feasibility or underwriting process required for Single Family projects.

## VII. ENVIRONMENTAL REVIEW

A. The environmental review is a separate and distinct review from any other review. Other previously performed (or applicant-provided) environmental reviews will not satisfy the requirements. Be aware that applicants are prohibited from beginning repairs, rehabilitation or reconstruction until they receive their SRRAP loans.

1. There are three potential steps to the review:
    a. **Step 1 – Initial Review**: An environmental assessor will visit the property. The assessor will take photos and possibly measurements of the property from the street. They will collect tax information in order to determine the date of construction of structures on the property. Applicants do not need to be present for this visit.
    b. **Step 2 – Issue Analysis**: If the Initial Review reveals a potential environmental issue, further analysis will be required. This analysis may require follow-up site visits or additional research. TDHCA will schedule required follow-up visits in order to perform the necessary analysis. Applicants will be notified if they are required to be present for these follow-up visits.
    c. **Step 3 – Issue Mitigation**: Any issue that cannot be cleared through Issue Analysis will need to be mitigated before environmental clearance is granted. TDHCA will not pay for mitigation of any issue identified during the environmental review; however, applicants will be told what is required and may choose to mitigate the issue or withdraw from the SRRAP. All mitigation must be completed within the timeframe specified by TDHCA. Examples of mitigation include making modifications to the building plans, moving the building site, or obtaining special permits for the property.

## VIII. CONSTRUCTION

A. For Rehabilitation the properties must comply with local building codes, and the entire structure must comply with local health and safety codes and standards, and housing quality standards (HQS).

B. For reconstruction including newly constructed homes, the entire structure must be in compliance with building codes and zoning ordinances and applicable construction or livability standards after assistance including:

1. Energy standards as verified by a RESCHECK ™ certification. The certification must be available in the file prior to purchase.

2. The IRC as 11 of the IRC as required by Chapter 388 of the Health and Safety Code as applicable.

C. The project costs must be “reasonable and customary” as determined by an acceptable, independent third party report or considered reasonable as documented by a bidding process.

D. Under the Rehabilitation Program, any housing unit built before 1978 must be inspected for hazards associated with the presence of lead-based paint or may be presumed to have lead-based paint hazards. Proof of notifications, work completed and clearance examination must be available.

E. Under the Rehabilitation Program, any housing unit must be in compliance with Section 31 of the Federal Fire Prevention Control Act of 1974 which requires that any housing unit rehabilitated with Department funds be protected by a hard-wired or battery-operated smoke detector.

F. Reconstructed or new construction must comply with Texas Government Code 2306.514.

G. Ten percent (10%) of each draw will be held as retainage until satisfactory completion of the project.

## IX. COMPLIANCE

A. In exchange for the loan award, each applicant agrees to comply with all LURA terms and requirements as a rental landlord.

## X. LAND USE RESTRICTION

A. A Land Use Restriction Agreement (LURA) will be placed on each SF property receiving disaster funds to repair, construct or reconstruct rental units. The LURA must be approved by TDHCA. The LURA must contain a ten (10) year affordability period beginning after closeout of loan or grant and require acceptance of Section 8 housing choice rental vouchers when the owner owns 20 or more single family projects.

B. Applicants will be required to sign a Land Use Restriction Agreement (LURA), which sets forth income and rent restrictions applicable to units of affordable rental housing and constituting, with respect to the specific affordable rental housing. These documents will be filed with the local county clerk’s office in the land records. The LURA imposes the requirements on the property for the full loan period of five (5) years.

C. The Land Use Restriction Agreement is an officially-filed restriction that ensures the property will remain rent restricted for the full loan period. At the end of the loan period, the restriction will automatically terminate and will no longer be valid or enforceable. Since the LURA is “self executing”, nothing will need to be filed at the local county clerk’s office to show that the loan period has ended. If the applicant abides by the terms and conditions of the LURA for the full five (5) year compliance period, the loan will be forgiven and no interest will be charged provided the landlord complies with the LURA requirements.

D. The Land Use Restriction Agreement will expire on the fifth (5th) anniversary of the later of the issuance of the Certificate of Occupancy or the loan closing.

## XI. FORGIVABLE LOAN DEFAULT

A. Disaster assistance is provided as an unsecured note to landlords receiving rehabilitation or reconstruction assistance.

B. Violation of any terms of the LURA will result in a Statement of Noncompliance being issued to the applicant. The notice will state clearly the reasons for noncompliance and will allow the applicant time to correct the non-compliance.

C. If the applicant is in default, the amount of loan principal then outstanding (based upon the amount previously forgiven during the 5 year period) shall immediately become due and payable.

D. Upon default the forgivable loan will immediately convert to an interest-bearing demand note and becomes immediately due and payable.

E. The due and payable amount will be based upon the unforgiven amount of the loan.

F. Default occurs at the property level. If the unit is found to be non-compliant with the LURA, then the entire property will be considered in default.

G. Interest on defaulted loan awards will be set at the London Interbank Offered Rate (LIBOR) plus one percent (1%). Interest will be calculated beginning on the date that the first check is issued.

## XII. RELOCATION

A. The Developer/Borrower is responsible for the relocation activities related to the project. The Developer / Borrower shall comply with program regulations at 24 CFR §570.606, the Uniform Relocation Assistance and Real Property Policies Act of 1970 (“URA”), as amended, at 49 CFR §24, and §104(d) of the Housing and Community Development Act of 1974, as amended, at 24 CFR §42.

B. If applicable, Developer / Borrower shall submit to the Subrecipient copies of all documentation relating to URA, including but not limited to, a Relocation Plan with Assurance Letter, Notice to Real Property, Tenant Status Reports, and all Notices with Tenant Acknowledgments as required by the URA.

## XIII. LANDLORD REQUIREMENTS

A. These requirements include:
1. Leasing all units to tenants that have eligible household incomes (80% AMI or below).
2. Charging rents that are at or below High HOME rents.
3. Following income certification and verification procedures and keeping records on all tenants’ income.
4. Maintaining complete and accurate rent rolls.
5. Renting units in accordance with HUD Fair Housing Standards.

B. The applicant is responsible for maintaining complete and accurate records for the full period of the loan term. These records must fully and completely support the satisfactory completion of all compliance items. These records must be provided to the Subrecipient or TDHCA upon request.

C. Compliance with these terms for the full period of the loan will result in loan forgiveness, leaving the applicant with no obligation to repay the loan or interest on it. Failure to comply with terms will lead to non-compliance.

**Public Comment: Hurricanes Dolly and Ike Round 2**
**Housing Program Guidelines**

## Background

The Texas Department of Housing and Community Affairs (TDHCA or the Department) partnered with the Texas Department of Rural Affairs (TDRA) in the administration of a Community Development Block Grant (CDBG) Disaster Recovery Program (Program) funded by the U.S. Department of Housing and Urban Development (HUD) under Public Law 110-329. TDHCA is the agency responsible for the administration of disaster funds allocated to housing activities. TDHCA contracts with Cities, Counties and Councils of Government to administer these funds at the local level and carry out eligible housing activities.

As called for in the Conciliation Agreement, Housing Guidelines were developed to serve as the basis for Hurricanes Dolly and Ike Round 2 housing programs. The Housing Guidelines consist of General Guidelines, which were developed to provide direction for issues that affect all of the housing programs. The General Guidelines are further divided into Part A, General Program Guidelines and Part B, Homeowner Opportunity Program (HOP). Activity-specific guidelines for Homeowner Assistance, Homebuyer Assistance and Rental Activities were created as separate documents. Applicants who qualify to fully participate in the HOP and elect to participate or decline to participate in a buyout of their original, storm-damaged property will be subject to either the Homebuyer Assistance Guidelines or the Homeowner Assistance Guidelines, depending upon their choice. These Round 2 Housing Guidelines do not replace or supersede the Guidelines developed by subrecipients under Round 1 funding, unless expressly amended to be included in those Guidelines.

## Summary of Comments and Staff Response

Public comments and the Department's responses are not presented in a specific chronological order. Following the comment number is a comment heading relating to the subject of the formally submitted public comment. The TDHCA Staff response is detailed underneath the respective comment number and comment heading. Following the comments and responses are the revised guidelines. As a result of public input, any language deleted from the proposed new section to the Disaster Recovery Program Guidelines is shown with a single strikethrough and modified language is shown with a single underline.

Comments were received by: (1) Ann Cass Williams, Executive Director, Proyecto Azteca, Chairperson of the Equal Voice Housing Coalition; (2) Miles Arena, Houston-Galveston Area Council, Disaster Recovery Coordinator; (3) Peggy Colligan, Adimistrative Coordinator, City of Houston Community Development Department, (4) Apolonio Flores, Flores Residential, LC; (5) Judy Allen, Golden Triangle Homes; (6) Ralph Littleton, City of Houston Housing and Community Development Department; (7) Carol Borrego, Planner, Fort Bend County Community Development Department; (8) John Henneberger, Co-Director, Texas Low Income Housing Information Service; (9) Madison Sloan, Staff Attorney, Texas Appleseed; and Jennifer Barclay (10) Legal Contract Specialist, South East Texas Regional Planning Commission; (11) John Touchet, Concerned Citizen.

Ann Cass Williams
**Comment #1:** Needs Assessment
What if the needs assessment shows that more funding is needed for new rental units or rental replacement units than the $15 million set aside money?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. As a general response, the funds allotted in the State-administered set aside are the minimum allocation to meet the statutory requirements. The needs assessment should provide guidance to the community on the greatest need based on damages. Housing allocations should be based on the needs assessment. LRGVDC will indicate how the $106,925,787 will be utilized in the Round 2 Phase 2 MOD and may elect to designate some of those funds as rental activities.*

**Comment #2:** Subrecipient Definition
Can we assume that in our case the Sub-recipient is the LRGVDC?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The MOD for the Lower Rio Grande Valley indicates that the potential subrecipient of Hurricane Dolly and Ike Round II of funding is the Lower Rio Grande Valley Development Council (LRGVDC).*

**Comment #3:** Beneficiary Identification Timeline
In 18 months from the start of the program, each Sub-recipient will have to identify enough eligible beneficiaries to reasonably expend all applicable funds. When does the 18 months start?

*TDHCA Staff Response: Staff agrees with the lack of clarity and the General Guidelines will be edited to state that the 18 month time frame will begin from the start date (effective date) of the contract between the parties for Round II.*

**Comment #4:** Reimbursement
Prior applicants may be considered but must re-qualify under new program. Is there the possibility for reimbursement for families that could not wait for Program II? For example: If there was a hole in their roof and they can show that they purchased materials and fixed the roof themselves, can they be reimbursed? Because of the length of time in implementing this, and Round I, it doesn't seem fair that folks would have to tolerate living in horrible conditions because the bureaucracy couldn't get its act together. If so, we assume there would be an exemption on the environmental.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. For informational purposes, a compensation activity is not eligible; in other words, there will be no reimbursement directly to beneficiaries for repair expenses under this program. However, this does not mean that such an applicant cannot receive assistance. If additional repairs are needed to rehabilitate the home to a safe, sanitary and secure condition, those additional repairs can be completed. Also, if, despite the homeowner repairs, rehabilitating the home is not feasible, demolition and reconstruction or possibly new construction are eligible.*

**Comment #5:** Targeting AMI
Please do not stipulate that families cannot be helped if they are below a certain AMI. For example, in Round I it would preferably have been written that families at 30% AMI OR BELOW, could be helped.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as there is no such stipulation in these guidelines. The targeted income groups in Round 2 should mirror the needs assessment.*

**Comment #6:** General Guidelines: Acquisition of Damaged Property
One of the bullets speaks of existing properties of those opting to relocate out of a floodplain or area of concentration that will not be rehabilitated with DR CDBG funds. To whom does the property then go? Is there a legal transfer to the County? Will these funds pay for such legal transactions?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Local communities will make the decisions as to whether the land is used for public purposes or transferred to non-profits where the ultimate outcome is known and eligible. Title transfers are eligible activity delivery expenses.*

**Comment #7:** Homeowner Guidelines: Property Tax Provisions
Property tax must be current, under a payment plan, deferral or exemption. Hidalgo County has no plans available for those who owe under $2000. For those that owe more than $2000 they are now requiring a 50% down payment and then a payment plan. What provisions can be made for those in Hidalgo County who owe less than $2000, as Hidalgo County will not give a plan to families who owe less than $2000.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. We understand the concern, but believe this is a local issue that cannot be addressed in these guidelines. The key reason for the tax provisions is so the house will actually provide affordable housing for qualified applicants without the potential for foreclosure by taxing entities.*

**Comment #8:** Homebuyer Guidelines Cap
Homebuyer assistance (100% of down payment, reasonable closing costs, mortgage gap financing, etc.) offered to those at 120% AMI, maximum amount of $40,000. Do we assume that these mortgages can go through a bank? Why is the cap at $40,000?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Loans in addition to the down payment assistance are anticipated to be provided by third party lenders, including banks. The cap was established by the Guidelines Task Force and based upon the largest amount of similar homebuyer assistance activities conducted by subrecipients in previous rounds of funding. This program is not anticipated to be a major component of Round 2 due to the likelihood of the activity's incompatibility with the anticipated results of the needs assessments.*

**Comment #9:** Program Objective: Inspection
While we understand that this is written to stipulate that as a protection against future damage from future hurricanes, the reality is that since Dolly we have been hit by another Hurricane Alex and two major tropical storms. People working the money from Round I are having difficulties getting TREC inspectors to attest that the damage is from Dolly. How does one distinguish damage from one hurricane to another? Who will do the inspections? 3rd Party Inspector? TREC inspector? Who will pay for the inspections?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The subrecipient of housing assistance funding will be responsible for doing the damage assessment inspections through qualified in-house inspectors or through procuring qualified outside inspectors. There are provisions to*

*allow alternative documentation, including media reports, to support neighborhood-level storm damage when inspections are not adequate to differentiate between the causes of damage. Inspections are eligible activity delivery costs.*

**Comment #10:** Program Objective: Request for Proposals
Can we serve more than what we state in the RFP?

*TDHCA Staff Response: TDHCA staff is uncertain of the context of the question; however, in general procurement terms, outside of allowable change orders and/or contract amendments, it is not permissible to do more activities than those for which all bidders were allowed to submit proposals.*

**Comment #11:** Impacted Area Buyout
Who will provide the training for the real estate professionals?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The state and subrecipients will work together to make certain that all staff in the Homeowner Opportunity Program are sufficiently trained.*

**Comment #12:** Homebuyer Assistance Activity
Can we leverage USDA 502 or governmental loans?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. More information would need to be provided as to what program this is anticipated to cover. In general, CDBG funds may be leveraged with other sources of funding; however, when combining funding sources, the most stringent rules of the respective program are typically enforced. CDBG Disaster Recovery funding utilizes a number of waivers of requirements which may be triggered by other funding sources.*

**Comment #13 (definition):** Building Code Requirement
It gives examples of IMM activities and then states as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the storm damage. There is no local code in Hidalgo County. Do you want to recommend IRC, IBC, or TDHCA recognized code?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The General Guidelines require all reconstruction and new construction to meet International Residential Code (IRC) and International Building Code (IBC) as well as local building code where appropriate and other federal requirements such as the accessibility requirements under Section 504 of the Rehabilitation Act of 1973. All rehabilitation projects are required to meet, at a minimum, the Housing Quality Standards (HQS) and all applicable local codes and standards. For the purposes of Individual Mitigation Measures (IMM), the IRC and IBC should be utilized as benchmarks in areas without code requirements.*

**Comment #14 (definition):** Subrecipient Definition
Again, we understand that the COG, LRGVDC, is the sub-recipient. Are we correct to assume that those of us in the coalition (The Equal Voice Housing Coalition) would be procured contractors?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as this is a local issue.*

**Comment #15 (definition):** Family Definition
We certainly hope that the TDHCA rules [for the Self-Help Colonia Program] requiring students to include scholarship money as part of family income is NOT going to be used with this program. Please clarify.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as they require that the subrecipients follow HUD protocols (24 CFR Part 5) in establishing income.*

**Comment #16:** Documentation
Please supply specific documents that show exactly how you want it to read in order to meet the guidelines.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Sample documents will be made available.*

**Comment #17:** Program Marketing
We feel that an Affirmative Marketing Plan needs to be developed.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. This is required under the single family homeowner program, including marketing of activities related to the HOP program.*

**Comment #18:** Record Retention
Is the record requirement for the Sub-recipient's subcontractors? Or, is it only for the Sub-recipient?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Any entity receiving CDBG DR funding is required to meet federal and state reporting requirements. The contract between TDHCA and the subrecipient will specify the reporting requirements which will be the sole responsibility of the subrecipient to retain and/or submit for review as directed. However, certain reporting requirements, such as those associated with Section 3 or Labor Standards, will require coordination with some of the subrecipient's subcontractors.*

**Comment #19:** Complaints/Appeals Process
Who receives the complaints?

*TDHCA Staff Response: Staff is addressing this issue by providing a stipulated appeal process.. The General Guidelines will be edited to include the process.*

**Comment #20:** Use of Prior Application
Although we know that this is an entirely separate and different program than Round I, it seems only fair that people who applied for Round I should be given some sort of preference for assistance after they are re-qualified.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The Conciliation Agreement requires that funding be directed* *based on the needs assessment. To the extent that a Round 1 applicant meets the requirements of the affirmative marketing plan, the target income group for the needs assessment, and the Round 2 applicant requirements, the person can be served in Round 2.*

**Comment #21:** Agency Selection & Conflict of Interest
How are agencies going to be picked? What about conflict of interest?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Subrecipients must follow the state and federal requirements and laws on conflict of interest.*

**Comment #22:** Septic
Who will determine and what criteria will be used regarding septic work done on a case by case basis?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Qualified inspectors will be required to review the septic system replacement needs. All septic system repairs and replacements must meet local, state and federal requirements.*

**Comment #23:** Relocation
The program as designed must relocate persons in concentration of protected classes or poverty out of these conditions and not into other areas that have similar characteristics. What if someone wants to relocate to another Colonia where they have friends or relatives and that is NOT in a flood zone? Why should they not have that option? We are uncomfortable with the word must.

*TDHCA Staff Response: Staff acknowledges the need to clarify the housing guidelines. No person will be required to relocate, but they must be presented the option if they fit the targeted areas identified in the HOP guidelines. One goal of this program is to break up concentrations of poverty and protected classes. The protected classes in the Lower Rio Grande Valley might need special attention, but concentrations of poverty will be included in the HOP program and this would preclude moving from one concentrated area into another. The following language will be added to the guidelines:*

*There may be areas that require special attention for the purposes of relocation.*

**Comment #24:** Use of External Professionals
We recommend that there are capped fees.

*TDHCA Staff Response: Staff does not concur with this comment. To limit the fees, subrecipients can work with local communities to determine fair fees based on local availability. Staff believes that if you set a ceiling, in many cases it will be a minimum as well.*

**Comment #25:** Disposal of Acquisition Property
Will the property become green space or holding ponds for the County? Can a next door neighbor who chooses to elevate their home and not be relocated purchase the property? Will the program cover the costs to demolish the dilapidated structure?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Local communities can chose options as to whether the land is used for public purposes or transferred to non-profits where the ultimate outcome is known and eligible.*

**Comment #26:** Housing Standardization: Bedroom Size
Under General Guidelines, In Preferred Unit Sizes, it states: No CDBG DR built will be only 1 bedroom. We agree with the General Guidelines, no 1 bedroom homes should be built. We would like to add 4 bedrooms to the list because many of our families have 5 or more children and HUD requires 4 bedrooms in that case.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Four bedroom units are included in the general guidelines to accommodate larger households.*

**Comment #27:** Housing Standardization: Contractors
We think that each contractor ought to be able to submit plans for approval, carrying engineers stamp, etc. if they meet general HUD requirements, square footage, etc.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Qualified builders are expected to bid on replacement housing using their own construction plans as long as the plans meet the specifications and requirements established for the program.*

**Comment #28:** Proof of Ownership
What about families who have a contract for deed?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. We believe that the guidelines provide a method for allowing the holders of contract for deed to prove ownership for the rehabilitation or reconstruction of the existing, storm-damaged home. However, the purchaser under a contract for deed does not have clear title to the property and therefore cannot participate in the HOP.*

**Comment #29:** Types of Improvements
Many families have butane gas tanks that are covered with a structure. Will that be allowed?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. This would be addressed under the local allowances if there is a requirement for covered tanks.*

**Comment #30:** Loan Repayment
If the property is sold, transferred or vacated by the assisted homeowner for any single period that exceeds thirty (30) days during the three year forgivable loan period, the repayment terms of the Note will be enforced except in those cases addressed in the paragraph below. We are concerned about migrant farm workers who would be out of their homes for more than 30 days. They need to be added to the [guidelines], they should not have to repay.

*TDHCA Staff Response: Staff concurs with this comment and will add the following sentence to the Homeowner Guidelines:*

*Migrant farm workers who are recipients of a home under this program, may, when proven to be performing work for not more than six months, may leave a home vacant during the time of their employment, (but may not rent out the home), provided the recipient intends to return to the home.*

**Comment #31:** Construction: Building Codes and Zoning Ordinances
Who does the work write up? What protects a homeowner from a contractor who comes in exceedingly low who might in the end add charges to the amount? Could it read: Higher or lower than 15%?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Initial inspections, assessments of damages and work write-ups are conducted by qualified inspectors selected by the subrecipients who are separate and apart from the building contractors. Procurement best practices (including pre-qualification of contractors) are available to ensure protection to the applicants.*

**Comment #32:** Town Hall Meetings/Colonia Challenges
For some of the issues that you have in the guidelines, like relocation, taxes, etc. I think it would behoove your department to have town hall meetings with potential recipients of the CDBG DR money to hear what their voices have to say about the challenges of relocating, taxes, migrant farm workers, etc.

So often when TDHCA develops guidelines, the practical aspect of such challenges to colonia families is disregarded. It simply is not to your benefit to ignore their voices. Yes, you have asked for comments, but I suggest that you go into the Colonias for your hearings and witness from the folks who live there. Most of the time when you have your hearings people are working and cannot attend. By so doing it certainly will offer them the respect that their voices are heard on a program that will affect them and give your department a taste of what life is like for them.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff plans public outreach to applicants and the guidelines require affirmative marketing tailored to the communities.*

<u>Miles Arena</u>
**Comment #33:** Eligible Activities & Expenditures
Please provide examples of eligible activities and expenditures under the "services" category.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To address the question, examples of services are real estate professionals and caseworkers.*

**Comment #34:** Procurement Requirements
Relating to Procurement Requirements, H-GAC recommends that TDHCA issue the Section 3 Plan requirements for TDHCA approval prior to the start of construction on any contract activity.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff will, however, develop a form for a Section 3 Plan.*

**Comment #35:** Homeowner Opportunity Program: Use of External Professionals
Provide guidance regarding which budget category these expenses should be assigned (i.e., planning, administration, or delivery).

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. External professionals' fees that can be directly linked to an address may be charged as general administration or as activity delivery to the program line item.*

**Comment #36:** Homeowner Opportunity Program (HOP): Acquisition of Property
Ownership of properties associated with the HOP is a major concern for many of the subrecipients in the H-GAC region. One potential solution is to include an option discussed in previous Housing Guidelines Task Force meetings – transfer of title to an appropriate non-profit organization. Non-profit organizations could include Community Development Housing Organization, affordable housing providers (i.e., housing authorities, Habitat for Humanity, etc.), or a unit of government community development program.

*TDHCA Staff Response: Staff agrees and will add the following sentence to the General Guidelines:*

*To the extent allowed by HUD and where the final use of the property will be known and consistent with CDBG regulations and the for purposes of the relocation of the applicant, transfer of title to a nonprofit will be allowed.*

<u>City of Houston</u>
**Comment #37:** Types of Improvements
Improvements will include as necessary lead-based paint abatement, asbestos abatement, handicapped accessibility for special needs, energy efficiency or ventilation items such as ceiling fans, window screens, screen doors, and window blinds.

Comment: Insert the phrase "(on projects $25,000 and over)" after the phrase "lead-based paint abatement, asbestos abatement".

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. TDHCA will follow all applicable HUD guidance and CDBG rules and regulations for the abatement of lead-based paint and asbestos.*

**Comment #38:** Supplemental Improvements
All debris, abandoned vehicles, and buildings that pose a safety and/or health threat as determined by the local jurisdiction or person qualified to make such a determination, must be removed from the property prior to the start of construction. The assisted homeowners will remove derelict personal property.

Comment: Homeowners, many of whom are elderly or disabled, would be required to sign off on the City's Restrictive Covenants and removal of such items deemed to pose a safety and/or health threat must be removed prior to the Work Write-Up approval.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff disagrees with the perceived suggestion to allow certain applicants to not be required to remove or provide for the removal of derelict personal property.*

**Comment #39:** Foreclosure after Construction

The Note will require assisted homeowners to maintain principal residency in the assisted property for five years. This does not address foreclosures.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. However, staff agrees and will add foreclosures to the Note.*

**Comment #40:** Construction
If the unit to be assisted was built prior to 1978 and the type of assistance offered will be rehabilitation, the assisted unit will be tested for the presence of lead based paint. If present, the removal of lead based paint will be considered in the costs of rehabilitation. Lead paint inspection provides two benefits: (1) the costs of abatement are considerable and must be factored into the cost estimates for rehabilitation and (2) the health risks to residents, particularly children, may be severe so any presence of lead based paint in an assisted unit, even one that is to be reconstructed, must be reported so that the residents, particularly children, may be severe so any presence of lead based paint in an assisted unit, even one that is to be reconstructed, must be reported so that the residents may seek appropriate medical attention.

Comment: Exchange these sentences for all past the first sentence. "Rehabilitation houses will not exceed the $25,000 limit in order to be exempt from lead abatement. The area/s that are identified to have a lead content in excess for Federal Lead Standards will be properly identified on the Work Write-Up. The contractor will address these line items per the Lead Base Paint Guidelines. Upon completion of all work, the contractor will request a Lead Clearance.

HCDD also recommends a Re-Bid Conference with the subrecipient and Contractor. Upon completion of the Work Write-Up, the subrecipient will select at least two bids from the subrecipient's list of eligible contractors for the proposed rehabilitation work.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. TDHCA will follow all applicable HUD guidance and CDBG rules and regulations for the abatement of lead-based paint and asbestos.*

**Comment #41:** Contractor Performance:
Need to address what happens if: Failure to start and complete awarded jobs within the agreed to time span as stated in the contract and Contractor fails to honor warranties or address issues in a timely manner.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The construction contract should address these issues.*

**Comment #42:** Homeowner Refusal
Inspections to approve progress payments will be made at a time requested by the contractor. These inspections will be made promptly upon request so as not to delay the processing of the contractor's payments. If at all possible, the same person will conduct inspections each time.

HCDD only provides partial payments for reconstruction/new construction only. Only one final payment is made for rehabilitation projects. If the homeowner refuses to sign off on the "Owner's Acceptance of Rehabilitation Work" form, then the Inspector will document this on the form and proceed with the payment process if the inspector has verified that all work is complete and acceptable per industry standards.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The current guidelines do not contain this language; however processes adopted by the subrecipients could address this issue.*

**Comment #43:** Final Inspection/Retainage
When final inspection determines that the work is complete in accordance with the contract, the [Subrecipient] will submit the contractor's request for payment and upon receipt of the funds, disburse the funds to the contractor. The [Subrecipient] may retain 10% of the funds pending a supplemental inspection in no less than thirty (30) days. Following a satisfactory supplemental inspection, the retainage will be paid to the contractor upon availability of grant funds following the final thirty (30) day inspection.

Comment: Delete the last two sentences. Use this sentence: "If no rehabilitation work issues arise within the 30 day retainage period, then the subrecipient will process the 10% retainage upon availability of grant funds."

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. This change would not be consistent with staff's requirements that a supplemental inspection clear the property and affirm that the structure was built to standards as opposed to not having a complaint that results in additional work. Physical inspection is required.*

**Comment #44:** Homebuyer Assistance Applicants
Applicants seeking assistance to purchase a home are subject to the HBA Guidelines. HBA applicants are divided into two principal categories: Those that are eligible to fully participate in the Homeownership Opportunity Program (HOP) (as described in the General Guidelines) and those who are not. Regardless of the category, all homebuyer assistance must be targeted to the socio-economic subcategories and demographics as described in the General Guidelines.
a. Applicants are eligible for the HOP if they meet all three of the following criteria: at or below 80% AMI; owner (possess fee simple title) at the time of the storm of a hurricane-damaged home; and damaged residence was located in a FEMA-designated "High Risk Area" or an area of high minority and poverty concentration as approved by TDHCA.
b. Applicants that are not eligible to fully participate in the HOP must still meet the following criteria to be eligible for HBA: at or below 80% AMI and primary residence at the time of the storm was damaged by the hurricane.

Comment: The prior version of the Homebuyer Assistance Program Guidelines listed the maximum area median family income at 120% for non-HOP applicants. This AMI category allows a greater number of affected families to be assisted by Hurricane Ike Round 2 funds. Also, there is no way to track/verify that the client's primary residence at the time of the storm was damaged by the Hurricane. Prior versions of Hurricane Ike Guidelines took the position that since Houston was affected the people in the area were adversely affected.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The Housing Guidelines for Round 2 require that the programs be based on a needs assessment and be consistent with the Conciliation Agreement. This program is not anticipated to be a major component of Round 2 due to the likelihood of the activity's incompatibility with the anticipated results of the needs assessments. This change would not be consistent with the Conciliation Agreement.*

**Comment #46:** Program Objectives

A second objective is to ensure that the housing needs of low, very low and extremely low-income households are assisted with housing in no less than the proportion to the relative percentages of the overall populations which suffered housing damage within the communities being served.

Comment: What if the subrecipient is serving these populations with other programs? Does the subrecipient receive credit for those the subrecipient currently serves in Round 1?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The goal of the program in Round 2 is to address the needs of persons impacted by the storm in the relative amounts of currently unmet need; therefore, Round 2 funding will be distributed and targeted based on the needs assessment. However, subrecipients may take into account the accomplishments of Round 1 funding. In other words, if a subrecipient, with Round 1 funding, has already fulfilled the needs of all 30% AMI and below households, then that subrecipient could, but would not be required to program any Round 2 funding to address the needs (which no longer exist) of that population. Conversely, if the subrecipient addressed 150% of the need identified by the needs assessment for the 51-80% AMI income group, the subrecipient would not be penalized for this overage, but they would not be able to program any Round 2 funding to serve this population.*

**Comment #47 (definition):** Rental Replacement
Rental Activity – Acquisition, rehabilitation, or construction of affordable rental housing resulting in structures where at least 51% of units are occupied by LMI persons. Income and rent restrictions apply to the rental units to be built or assisted with CDBG funds.

Comment: Want to clarify that you can provide new constructions on a vacant site. For example, we can demonstrate that there were multifamily rental units demolished or rendered uninhabitable since the hurricane. Can we "replace" these units with new construction elsewhere (i.e., senior housing)?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. However under HUD rules, a subrecipient may rebuild damaged units in a different location. These units must meet affirmatively furthering fair housing requirements in Round 2 and meet the requirements under the Action Plan and Conciliation Agreement, including the one-for-one replacement requirement where applicable.*

**Comment #48 (definition):** Low to Moderate Income (LMI) National Objective
Low to Moderate Income (LMI) National Objective – Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used by [Subrecipient] to verify the income eligibility of each household applying for assistance at the time assistance is provided. LMI economic subcategories are as follows:

Very low: Household's annual income is up to 30% of the area median family income, as determined by HUD, adjusted for family size

Low: Household's annual income is between 31% and 50% of the area median family income, as determined by HUD, adjusted for family size

Moderate: Household's annual income is between 51% and 80% of the area median family income, as determined by HUD, adjusted for family size

Comment: This is not consistent with Section I a) ii which has "extremely low" as the 30% definition.

> *TDHCA Staff Response: Staff concurs with this comment and will edit the guidelines to achieve consistency in the use of terminology. For the purposes of the Round 2 Housing Guidelines, the terms "low, very low and extremely low-income" as included in the Conciliation Agreement will be understood to agree with the LMI subgroup definitions as promulgated by HUD (as listed in the above comment) for use in the CDBG Program.*

**Comment #49:** Slum and Blight Eligibility
Slum and Blight National Objective – Activities which help to eliminate slums and blighted conditions. Use of this National Objective is limited due to its inability to contribute towards the overall requirement for 55% of Dolly and Ike Round 2 funding to benefit low to moderate-income beneficiaries. It must be justified in the application for funding and the restrictions of its use will be expressly detailed in the contract between TDHCA and the [Subrecipient]. Slum and Blight activities must meet the criteria of one of the three following categories: 1) Prevent or eliminate slums and blight on an area basis; 2) Prevent or eliminate slums and blight on a spot basis; or 3) Be in an urban renewal area.

Comment: Can we use this to tear down buildings in areas of LMI residents?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. In response to the question, under the conditions identified by HUD, this would be allowable as long as it was consistent with affirmatively furthering fair housing. One of the CDBG requirements is the requirement for local jurisdictions to designate the location as an area of slum and blight, if the Slum and Blight National Objective is utilized. If the demolition is set to occur in an LMI area, it may be more efficient to classify the activity under the LMI National Objective as an area-wide LMI benefit.*

**Comment #50 (definition):** Duplication of Benefits
Duplication of Benefits – The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which he has already received financial assistance under any other program or from insurance or any other source.

Comment: Should add the provision: "Receipt of partial benefits for a major disaster or emergency shall not preclude provision of additional Federal assistance for any part of a loss or need for which benefits have not been provided."

> *TDHCA Staff Response: Staff does not believe that this interpretation is consistent with the current interpretation by HUD; however, staff will agree to add the following to the General Guidelines:*

*The state will allow for the most permissive current interpretation provided by HUD in determining Duplication of Benefit.*

**Comment #51:** Evaluation of Data

1) Also should consider that rental may be an alternative for a homeowner, or a home may be an alternative for a renter. For example – a senior rental project may be an alternative to replace the damaged home.

2) Persons with accessibility or other special needs adaptations should also be analyzed as part of the process.

Comment: HCDD requires all rehabilitation projects to put in 5% handicap accessible and 2% visually impaired.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. This applies only to multifamily units and compliance with Section 504 is already included within the guidelines.*

**Comment #52:** Prior Applications

(a) Prior applications may be considered if they are within the designated targeted areas. This program is not intended to be a first-come-first-served program and therefore persons who have already applied Under Round 1 do not have a prior claim to be included in the program.

(b) Prior applications will need to be reviewed to ascertain whether they qualify under the new program guidelines. As this program is not a continuation of Round 1 programs, applicants must be re-qualified.

Comment: Under the Homebuyer Assistance Activity for hurricane impacted non-homeowners, it is mentioned that the activity is designed not to be a first-come-first-served program. Subrecipients may encounter major problems in spending the funds allocated. Under the normal home buying process, applicants usually begin the process before qualifying for the assistance. It will be difficult to develop and maintain a good pool of applicants when there is a potential for an extended closing turnaround time.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. As a comment related to this question, it is anticipated that the $40,000 HBA assistance program will be a very small component of Round 2. Most, if not all, Round 2 funds will be required (as indicated by the needs revealed in the needs assessments) to be used for the HOP program HBA activities that will focus on extremely low income persons relocating out of FEMA-designated "High Risk" areas, concentrated areas of poverty, or concentrations of racial minorities.*

**Comment #53:** Performance Standards

According to the Conciliation Agreement, TDHCA's proposed subrecipient performance standards will require that within a period of no more than eighteen months from the date of commencement of the Program, each subrecipient will have identified sufficient eligible beneficiaries such that the subrecipient will be able to provide reasonable assurance that the subrecipient will be able to expend all applicable funds within TDHCA benchmarks.

Comment: Should say from the date the contract is signed with TDHCA and/or from the date the subrecipients Program Guidelines are approved by TDHCA.

*TDHCA Staff Response: Staff agrees with this comment and will add in after the date of the commencement of the program the phrase:*

*"…which, for the purposes of the 18-Month Performance Requirement, is the start (effective) date of the Round 2 contract between TDHCA and the subrecipient."*

**Comment #54:** Size of Unit
This is only applicable to single family programs.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff believes that this obvious from the context.*

**Comment #55:** Program Marketing
Evaluation of outreach activities and applications received will be necessary to determine if applications are received from a diverse population and ranges of income to ensure low-moderate income households are assisted in a proportion to the percentage of overall populations.

Comment: For rental projects, the Developer/Owner in not LMI, but tenancy is.

*TDHCA Staff Response: Staff agrees with this comment and will edit the General Guidelines to include the words "single family" before applications.*

**Comment #56:** Procurement Requirements
Procurement is the acquisition of goods and services to be used internally by the [Subrecipient] to carry out the Program. The procurement process includes the decision to purchase as well as the process to complete the purchase. The federal government has established a set of procurement rules that apply to CDBG-funded projects. These rules are in place to ensure that federal dollars are spent fairly and encourage open competition for the best level of service and price. In addition, the State of Texas has enacted a set of regulations that also apply to CDBG contracts. If a conflict between federal and state procurement regulations should occur, safe harbor is typically found in the more stringent regulation.

Comment: Want to confirm that it is not required to bid the rental project if the application comes from an RFP process. Sometimes the applicant acts as the general contractor and costs must be reasonable and substantiated with actual invoices.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. As a comment regarding the procurement question, the rules may differ depending on the circumstances and a broad statement is not appropriate at this time. Generally, subrecipients provide a Notice of Funding Availability to allocate rental program assistance to multifamily projects.*

**Comment #57:** Site and Development Restrictions
Housing developments must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794). Multifamily housing developments must meet the design and construction requirements at the Texas Administrative Code, Title 10, Chapter 60, Subchapter (B) 10 TAC §§60.201-211). Covered multifamily dwellings, as defined at 24 CFR §100.201 as well as common use facilities in developments with covered dwellings must meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. §§3601-3619) and the design and

construction requirements of the Fair Housing Act Design Manual.  Additionally, developments involving new construction (excluding construction of nonresidential buildings) where some units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the design and construction requirements of the Fair Housing Act Design Manual, and include a minimum of one bedroom and one bathroom or powder room at the entry level.  A compliance certification will be required after the development is completed from an inspector, architect, or accessibility specialist.  Any developments designed as single family structures must also satisfy the requirements of §2306.514 of the Texas Government Code.

Comment:  Is this applicable to multifamily rental new construction and rehabilitation projects?

> *TDHCA Staff Response:  Staff does not believe that this comment requires a change to the housing guidelines. To address the question, multifamily rental developments must comply with 10 TAC Chapter 60, Subchapter B Rules Section 60.201-211.  Only new construction and reconstruction (the demolition and reconstruction of the home in substantially the same size and manner) for single family must comply with the accessibility requirements under Section 2306.514 of the Texas Government Code.*

**Comment #58:**  Programs Must Be Made Available
Relocations through either lot acquisition and construction or acquisition of a new/existing home will only be allowable only if the lot does not require home elevation expenses.  Beneficiaries may not be relocated to other 100-year flood zones.  Lots that need wells or septic will be determined on a case by case basis.  However, accessibility enhancements will be eligible for all programs.

Comment:  What about those lots that are partially in and out of a flood plain?

> *TDHCA Staff Response:  Staff does not believe that this comment requires a change to the housing guidelines.  As a comment, all of the home must be out of a flood plain to qualify in this round.  If a portion of the property not related to the homestead is included, that may be evaluated on a case by case basis.*

**Comment #59:**  Use of External Professionals

a) The HOP Homebuyer Assistance program should be designed to allow for the cost of professionals.  Examples include real estate agents to provide guidance to applicants about lots or homes that are available in the community that will work to offset or correct concentrations of protected classes or concentrations of poverty.

b) Professionals must be licensed by the state where appropriate.  The sub-recipient can, using proper procurement practices, hire full time professionals or create a qualified list of candidates and randomly assign them to files.  The sub-recipient should include estimated fees and associated costs in their program design.

c) Liability issues may be addressed in the program design.

Comment:  There is concern that there is no profit-based motive/incentive for real estate professionals to participate in HOP and assist homeowners.  If this is not addressed in the program design, the real estate professionals may be driven more by commissions than by the need to assist the homebuyer make an optimal purchase that fits the homebuyer's individual profile.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Each community must make the decision if there is a need to provide additional funding to professionals to encourage them to participate fully in the program. It is anticipated that in many communities there is a need to provide incentives as part of the $18 million funding above the costs of the homes.*

**Comment #60:** Program Objectives
A second objective is to ensure that the housing needs of low, very low, and extremely low-income households are assisted with housing in no less than the proportion to their relative percentages of the overall populations which suffered housing damage within the communities being served.

Comment: City of Houston multifamily LURA requires owner to accept Section 8 vouchers.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. While the Houston LURA may address the need for rental replacement, it does not address the Homeowner Opportunity Program (HOP) that is required in every subrecipient plan.*

**Comment #61:** Program Objectives
A third objective is to prioritize the provision of decent, safe and sanitary housing for elderly and disabled populations with an emphasis on housing choice and design to reduce maintenance and insurance costs as well as provide for the provision of independent living options.

Comment: Tenants in multifamily rental projects do not have maintenance and property insurance costs. Unclear on what is meant by "independent living."

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. This issue is related to the Homeowner program. Although independent living would apply to the multifamily programs as people transitioning from state housing or from community homes need to have an ability to develop plans for independent living.*

**Comment #62:** Types and Amounts of Assistance
The maximum award cap under the Affordable Multifamily Rental Program is $10,000,000 per development. Exact award will depend upon the amount of storm damage, the cost reasonableness of funds bringing the property up to Housing Quality Standards (HQS), and other funding sources available. Eligible costs include hard costs for construction and soft costs associated with repair or construction of rental units plus other costs permissible under 24 CFR 570.

Comment: Given the age of the housing stock in Houston, and the size of many of the multifamily projects, HCDD suggests $15,000,000 as the award cap. As described below, the award can include costs to mitigate damage from future hurricanes, encourage energy efficiency, and extend useful life.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as it disagrees with the increased amounts suggested.*

**Comment #63:** Types and Amounts of Assistance
A Land Use Restriction Agreement (LURA) will be placed on developments and any applicable lenders must agree to subordinate to the LURA. The Developer/Borrower will guarantee completion of construction until a certificate of occupancy has been issued and retainage has been released. There is a ten year affordability period under the LURA.

Comment: Insert the word “minimum” before the phrase “ten year affordability period.” You may want to consider that if you do an award for less than $1,000,000, the affordability period is only five years. Is the contract with the subrecipient a period of 10 years?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The Action Plan requires a Land Use Restriction Agreement to be placed on multifamily and owners of 20 or more single family houses owned under common ownership. The LURA requires the properties to keep the units affordable for a 10 year affordability period. Staff will continue to monitor the subrecipient past the contract date to ensure that rental properties comply with the LURA requirements.*

**Comment #64:** Types and Amounts of Assistance
Project construction must be completed within 18 months of the effective date of the contract, unless otherwise extended.

Comment: Replace “date of the contract” with the phrase “date of the Notice to Proceed.”

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff does not agree with changes as the goal is to encourage timely development of affordable housing.*

**Comment #65:** Participant Eligibility Requirements
The Applicant, Development Owner, Principal or Developer/Borrower must be in good standing with any outstanding loans and loan commitments. There may be no defaults or negative collection actions on current or previous loans.

Comment: Replace “any outstanding loans and loan commitments. There may be no defaults or negative collection actions on current or previous loans.” with the phrase “date of the Notice to Proceed.” with “subrecipient.”

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff disagrees with this interpretation.*

**Comment #66:** Multifamily Selection Criteria
Any subrecipient that intends to offer an Affordable Multifamily Rental Program must develop a NOFA or application process. The application or NOFA process should identify the properties that provide the greatest benefit to the community to those with the greatest need. The Subrecipient will develop criteria to award funds to the projects meeting the housing goals and objectives the program, and fair housing as well those of the community.

Comment: Add that Applicants must demonstrate capacity to complete the project.

*TDHCA Staff Response: Staff agrees with this comment and will add the following to the Rental Program Guidelines:*

*All awards must be made to applicants that demonstrate capacity to complete the development planned in the application.*

**Comment #67:** Multifamily Selection Criteria
Criteria developed by the subrecipient to identify projects providing the greatest benefit to the community may consider the following: Projects are encouraged to increase the number of affordable units by exceeding the requirement to least 51% of the units to low / moderate income households.

Comment: Does this increase the concentration of poverty: This would work well with Tax Credit Rehabilitation projects; however it may be problematic given the time constraints of the program.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Every application must take into account how it will affirmatively further fair housing and, therefore, no concentrations of poverty will be allowed in this program.*

**Comment #68:** Selection Criteria
Criteria developed by the subrecipient to identify projects providing the greatest benefit to the community may consider the following: Projects are encouraged to provide units to households with the highest need for affordable housing by agreeing to create set asides targeting extremely low, very low income, low and moderate income tenants.

Comment: By "set asides" do you mean further restrictions in the LURA?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. In general, the answer to the question is yes, this means additional restrictions based on income targets outlined in the LURA.*

**Comment #69:** Selection Criteria
Criteria developed by the subrecipient to identify projects providing the greatest benefit to the community may consider the following: Projects are encouraged to meet low-maintenance and energy efficiencies by installing energy efficient products and low maintenance items. Combinations of the following items can be used up to the maximum number of points.

Comment: Unclear with maximum number of points.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Applications should include a scoring component to maximize the targeted income levels, quality/efficiency and location of the units.*

**Comment #70:** Program Requirements: Rehabilitation or Construction Activities
The Developer / Borrower must submit an acceptable Property Condition Assessment (PCA) conducted by a qualified third party. In addition to repair costs identified in the PCA, other costs will be considered if they extend the useful life of the project. The project costs must be reasonable and typical in the current marketplace for projects of similar scope. Plans and specifications must be submitted for replacement units.

Comment: Insert the phrase "or are a result of federal requirements such as Davis Bacon wage rates for accessibility features" after the words "the useful life of the project."

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. As a comment to the question; a project funded with disaster recovery funds must comply with Davis Bacon wage rates, so projects costs will be reflective of these requirements.*

**Comment #71:** Project Completion & Release of Retainage Procedures
Developer/Borrower submits Lien Release from General Contractor to show that all subcontractors have been paid.
Comment: The Contractor = the subrecipient and the Subcontractor = the Building Contractor? If the City of Houston is the subrecipient, and the applicant is the Developer / Owner, then who contracts with the Building Contractor?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. All agreements with contractors will be tri-party agreements between the subrecipient, the developer/owner and the Contractor. The subrecipient will take part in this agreement in the form of a Lender thereby having the authority to require compliance with the provision of the contract and authority to conduct inspections and process payments.*

**Comment #72:** Program Limitation
Applicants participating in the Buyout Program must contribute 100% of the assistance received under that Program toward the purchase of the newly acquired property.

Comment: Many potential homeowners may still have a mortgage tied to the property. Who is responsible for paying off the balance of the first mortgage if funds from Buyout Program cannot be used?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. CDBG funds cannot be used to provide funds to reduce or eliminate mortgages. When beneficiaries opt to move from their existing property they are responsible for existing liens and the coordination of loans, if necessary, for the new location.*

Apolonio Flores
**Comment #73:** Program Objectives
In Section II, references are made to activities designed to mitigate storm damages, including future hurricanes; meet housing needs of low, very low and extremely low-income households; and housing for elderly and disabled. But in Section III, Program Purpose shows units qualifying for assistance must have sustained damage from Dolly/Ike. This ignores the Program Objectives cited above makes qualifying for assistance very restrictive. There is no mention of removal of slum and blight.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The CDBG disaster recovery funds were allocated to help Texas recover from Hurricane Ike and Dolly. Funds are focused to provide assistance to Low Income households and structures damaged or destroyed by the storm.*

**Comment #74:** Program Objectives
There are many situations where low, very low and extremely low income families, seniors, and disabled persons reside in substandard housing, paying a large percentage of their income for

rent or other housing costs, and reside in housing that does not protect them from severe weather. Assistance should be made available for those that can provide the safe, decent and sanitary housing at affordable rents in housing that protects them from severe weather. The building of this housing will provide an opportunity for low income families to move to affordable housing that protects them from severe weather, is affordable, etc. An example of providers are Housing Authorities that own land but do not have resources to finance new housing. Housing Authorities have vouchers they can provide to assist the low, very low, and extremely low income families, seniors, and disabled persons. I suggest the grant or forgivable loan be about 75% of the development costs with the balance financed.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Under the rental guidelines CDBG funds are issued in the form or grants up to the maximum award cap of $10 million.*

**Comment #75:** Demolished Public Housing
There is Public Housing that has been demolished due to obsolescence and that could be considered blight. Due to a lack of funding from HUD, Housing Authorities have not replaced the demolished Public Housing and could do so with disaster assistance with some units being Public Housing, others with residents assisted with vouchers, and others that may be able to afford the rents at 30% of their income.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. NOFA's could provide a priority to replace housing authority properties and they could place restrictions on the level of funding for a single development as long as it does not exceed the maximums identified in these Guidelines.*

**Comment #76:** Housing Development/Slum & Blight
There are also situations where an affordable housing development may be in the flood plain or have other serious problems like environmental. I know of a HA with a property that is not inhabitable, has been vacated, and is clearly slum and blight + poses a health and safety issue to the neighborhood. In another instance, there are serious environmental issues; the property likely qualifies as slum + blight etc. There needs to be provisions for funding demolition and reconstruction at another site. This should be in both the TDHCA affordable rental housing + the COGS programs.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Demolition is an allowed housing activity.*

<u>Judy Allen</u>
**Comment #77:** Elevation Issues

1) $35,000-$60,000; these figures are too low for elevation in non-coastal vs. coastal areas
2) Accessibility – Coastal should decide lifts and decks, not ramps. We should be using IRC-UFAS.
3) Appeal for Local Jurisdiction Changes

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The consensus based on prior experience is that these costs would meet the needs of homes. Each home is looked at for its optimum plan with regard to accessibility and all options are on the table. The appeal system is addressed further within these guidelines.*

Randolph Littleton

**Comment #78:** Homeowner Insurance

The homeowner must provide insurance quote prior to TDHCA set-up approval. Also, monitoring procedures/process after first year of hazard and flood insurance.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. These functions will be monitored and it is so stated in the contracts with the homeowners.*

Carol Borrego

**Comment #79:** Probability of Applications

If someone makes an application in the wrong jurisdiction.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Assistance may not be provided to an applicant that is located outside the jurisdiction of the subrecipient unless the assistance involves the relocation of an approved applicant to another jurisdiction as part of the HOP.*

John Henneberger

**Comment #80:** Homeowner Opportunity Program (HOP)

Under the HOP program I urge that people be allowed to use the HOP program to move either for fair housing or safety purposes if they are in a flood zone or FEMA designated danger area. In other words, homeowners should be able to choose to move to an area outside of a flood zone even if the area the resulting move is not pro-integrative. The HOP program exists both to help people move out of hazardous areas AND/OR to make Fair Housing related moves. This may be necessary to obtain housing in some localities that is affordable under the limits imposed for HOP or to allow the homeowner to make a choice that meets their needs. The homeowners must be provided counseling to assess all their options as set out in the draft guidelines prior to making such a decision.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff does not agree. Inhabitants of a FEMA-designated High Risk area are allowed to relocate or rebuild and remain in place; however, they will not be allowed to relocate to an area of poverty or minority concentration as determined by TDHCA. .*

**Comment #81:** Rehabilitation vs. Reconstruction

Emphasis should be given through the guidelines to restrain costs. To ensure this, rehabilitation should be undertaken where appropriate instead of reconstruction. We recognize the difficulties associated with administering rehabilitation programs but administrative burdens on subrecipients should not be a reason for not undertaking rehabilitation where appropriate, especially in light of the lower costs.

When reconstruction is necessary, the cost of the new home must be held to a reasonable level. TDHCA has demonstrated that a decent home can be rebuilt for under $75,000 through the Hurricane Rita Round 2 program. TxLIHIS recommends using this basic house as an appropriate standard for Ike/Dolly reconstruction, incorporating slightly improved energy efficiency and build quality/durability/windstorm resistance. This should in no case drive costs above $95,000, even in higher cost markets. The costs in some markets should be considerably lower. We understand this recommendation to be consistent with the proposed guidelines.

If CDBG disaster recovery subrecipents are not able to achieve this target cost point, then consolidation of program administration at the state level should be considered to restrain costs.

TxLIHIS strongly believes the HOP program, which allows homeowners requiring home reconstruction to elect to move out of impacted areas utilizing the same amount of funds the homeowner reconstruction program would expend to build them a new home in place, is an appropriate program. It gets people out of dangerous situations and promotes fair housing opportunity utilizing the same housing benefit levels.

Because insufficient funds exist to assist all the eligible households in need of housing, it is vital that costs of providing housing assistance be held down so that as many eligible households as possible can be assisted.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff also does not agree with all the assertions made within this comment. The goal of this program is to allow local decisions and local control while providing the best opportunities for persons in concentrated areas of poverty, racial minorities or in flood prone areas. Staff does agree that where possible we should use efficiencies and believe that these guidelines represent that effort and will assist in achieving cost savings.*

**Comment #82:** Poverty Concentration
The program may be utilized to affirmatively further fair housing for disaster recovery applicants that qualify as 80% or below AMI and live in the 100-year Flood Zone or areas of high minority and poverty concentration, as approved by TDHCA.

Comment: What is the definition of poverty concentration?

> *TDHCA Staff Response: Staff agrees and will add the following definition for poverty concentration in the General Guidelines:*
>
> *An area of poverty concentration is a census block group that consists of 35% of the residents living in poverty. A household that meets the US Census Bureau's poverty threshold is considered to be at or below poverty level for the Disaster Recovery Program.*

**Comment #83:** Houston Homebuyer Assistance Activity
Homebuyer Assistance Activity – the utilization of CDBG Disaster Recovery funding for up to 100% of the required down payment, reasonable closing costs, principal write-down assistance, subsidization of interest rates, and private mortgage insurance to facilitate the purchase of a new or existing home. The activity may be utilized in the relocation of a HOP participant or as assistance provided to a hurricane-impacted non-homeowner. Limitations on HOP funding are detailed in Part B; the cap on homebuyer assistance for hurricane impacted non-homeowners is limited to $40,000.

Comment: How can we keep Houston from abusing this?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Every subrecipient must compare their needs with the program*

*design. The $40,000 HBA program is not expected to be used in any significant way in Round 2 based on the initial review of qualified data.*

**Comment #84:** IMM
Individual Mitigation Measures (IMM) – Activities designed to mitigate and/or reduce risk beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local construction or code requirements The State anticipates accessing additional funds for disaster activities under the Disaster Recovery Enhancement Fund (DREF) that must be matched by funding provided for IMM.

Comment: Is this the case? How is this going to work?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The DREF funds are still being programmed but staff is reviewing these how these funds will be allocated and best utilized.*

**Comment #85:** Family
Family – A family is defined as all persons living in the same household who are related by blood, marriage, or adoption.

Comment: How does this affect gay people? Hasn't HUD provided some ruling?

*TDHCA Staff Response: TDHCA understands the concern and we will follow HUD guidance on determining family and household makeup. The General Guidelines will be edited to include the most recent HUD definition of family, consistent with Texas law.*

**Comment #86:** Evaluation of Data
Qualified data will be used to document the impact of the relevant storm on the economic LMI subcategories and to assist the subrecipient in developing the plan for targeting the use of those funds, in the appropriate levels, to the appropriate economic categories.

Comment: We need to see these percentages. Will this apply to combined Round 1 and 2? They are supposed to conform their spending to this data. This would include division between owner and rental funds as well as income categories of beneficiaries. Is this what the CA provides? Can we force a needs based distribution between owner and renter?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The qualified data is currently being released to the COGs by TDHCA and is also posted for review by the general public on the division's webpage: http://www.tdhca.state.tx.us/cdbg/ike-and-dolly/index.htm The data will be used to generate a needs assessment that will dictate the distribution of Round 2 funding; however, the accomplishments of Round 1 may count towards the required funding categories of the needs assessment if they are applicable. The HUD/FEMA data used to generate the qualified data does not address rental damages well. Each subrecipient will be encouraged to look at rental needs. At a minimum, the three regions that have a portion of the state run affordable housing rental program will spend that amount on rental replacement and repair. The needs assessments may indicate the need to dedicate additional funding to rental from general housing funds. The COGs will indicate how the general housing funds will be utilized in the Round 2 Phase 2 MOD and may designate some of those funds as rental activities. All subrecipients have been encouraged to budget funding for needs assessments to determine rental needs.*

**Comment #87:** Program Requirements: Eligibility Standards
Applicants applying for disaster assistance are processed by the [Subrecipient] and must meet certain eligibility standards to qualify for assistance. Eligibility standards are further discussed in the activity-specific housing guidelines.

Comment: What does this mean?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To address the question, each activity has basic standards that must be met to be eligible for the programs described by these guidelines.*

**Comment #88:** Acquisition of Property
The original, storm-damaged property will be acquired at the pre-storm tax appraisal as documented by the Central Appraisal District. The cost of the acquisition of the storm-damaged property will be absorbed in the cost of the acquisition of the relocation property.

Comment: I don't understand what this means?

> *TDHCA Staff Response: Staff acknowledges the confusion and will edit the General Guidelines as follows:*
>
> *The acquisition cost for the original property destroyed by the storm will be the cost of a replacement house based on the standardized specifications for the appropriate household composition and size which will be bid locally.*

**Comment #89:** Acquisition of Property
Outstanding liens or mortgages are the responsibility of the homeowner and must be satisfied prior to transfer of title.

Comment: Who helps people work this out? Should be allowable cost?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. CDBG funds cannot be used to provide funds to reduce or eliminate mortgages. When beneficiaries opt to move from their existing property they are responsible for existing liens and the coordination of loans, if necessary, for the new location. Caseworkers and real estate professionals will be made available to counsel the applicants. Costs for such services are eligible activity delivery expenses.*

**Comment #90:** Introduction: Principal Residence
The applicants' principal residence at the time of the storm must have been impacted by the hurricanes in order to qualify for HBA. In order to assist the subrecipients to meet their Affirmatively Furthering Fair Housing goals, the option to assist applicants who were not homeowners at the time of the storm is available. <u>However, any HBA provided to non HOP-eligible applicants must be needs-based.</u>

Comment: What does this mean?

> *TDHCA Staff Response: Staff understands the concern and will add the following language to the Homebuyer Guidelines for clarification:*

*CDBG regulations restrict homebuyer assistance to the amount up to and including the amount of assistance necessary to facilitate homeownership. For example, it is not a reasonable use of CDBG funding to provide the full amount of assistance, $40,000, when only $5,000 of mortgage gap financing is necessary for a bank to make an affordable loan to purchase the home.*

**Comment #91:** Program Purpose
The provision of homebuyer assistance to facilitate the purchase of new and existing single family homes to benefit hurricane victims. Homebuyer assistance may be provided to applicants who fully qualify for and elect to participate in the HOP and income-eligible households that were affected by the hurricanes but who do not qualify for the HOP. Income-eligible households who do not fully qualify for the HOP include applicants who do not possess fee simple title to the original, hurricane-damaged property to be acquired (bought out) or who cannot obtain clear title within one year of the application date. The [Subrecipient] cannot acquire property for which clear title cannot be obtained.

Comment: Why not?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To discuss the question, staff believes that HUD would not allow subrecipient acquisition of property (such as would occur in the HOP) for which title could not be obtained. Staff believes that 2306.188 of the Texas Government Code allows alternative methods to document ownership in order to qualify for disaster assistance, but does not convey the right to transfer ownership of the property to another entity.*

**Comment #92:** Program Purpose
Under the HOP, applicants receive assistance from trained counselors to determine the housing activities that offer the best option for the household. For those that opt to move from their existing home located in a FEMA-declared high risk area or areas of high minority and poverty concentrations (as confirmed by TDHCA), the existing property is purchased at the pre-storm tax appraisal value.

Comment: Is there such a thing? I think we need to talk about areas designated by FEMA as vulnerable to significant wind or storm surge damage through a Category III hurricane through wind or storm surge and area located within a 100 year floodplain.

*TDHCA Staff Response: Staff recognizes the confusion and will include the definition of a FEMA-declared High Risk area in the General Guidelines.*

**Comment #93:** Amounts of Assistance
Housing purchases that exceed the maximum limits must be paid for with other sources of funds or a mortgage obtained by the homebuyer. The maximum total purchase price of the home to be acquired may not exceed the limits set for Single Family Mortgages in Section 203(b) of the National Housing Act.

Comment: Are there any standards? First or second lien? Is anyone going to help people obtain this financing? Are there any limits of the percent of the new loan to the CDBG loan?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To address the questions raised, there will be an affordability* *period but not necessarily a lien with the CDBG funds. The CDBG funds are provided as a deferred forgivable grant. In the event there is a mortgage lien, the CDBG lien/grant could be in the second position. Counselors will help with this program.*

**Comment #94:** Purchase Cost
Eligible properties that can be purchased:

- Single-family property (detached and attached 1-4 units)
- Condominium unit
- Cooperative unit
- Modular home/Manufactured home
- Vacant land

Comment: What are the limits of vacant land purchase cost? How will this work?

*TDHCA Staff Response: Staff agrees and regrets the omission of the cost limits of the purchase of vacant land, which were contemplated by the Housing Program Guidelines Task Force to be $35,000. A line item will be added to the cost limitations chart in the guidelines to set the cap on the purchase of vacant land through the HOP at $35,000. Although $35,000 is the cap, it is not also the floor; the actual lot cost should not exceed the standard single lot size in the community.*

**Comment #95:** Types of Improvement
Improvements needed to meet HUD Section 8 Existing Housing Quality Standards, and Cost Effective Energy Measures are eligible improvements.

Comment: Can a recipient provide the rehab services or must the client contract for them directly? How will this work?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To address the question, other than the requirement to follow all applicable procurement rules, regulations, and laws, the guidelines do not currently specify a required manner of securing a construction contractor. TDHCA will review and approve the proposed procurement policies of the subrecipients to secure contractors. It is not allowable for the beneficiary to contract directly with a construction contractor as no funds will go directly to the beneficiary; however, the subrecipient could design a procurement policy involving preapproval of contractors from which the beneficiary selects a contractor. The construction agreement will be a tri-party agreement between the subrecipient, the homeowner and the construction contractor.*

**Comment #96:** Inspection Standards
A representative of [Subrecipient] will inspect all properties to ensure they meet Section 8 Housing Quality Standards at a minimum prior to application approval. However, the inspection will not serve to assure the buyer that the property is free of defects. Therefore, the [Subrecipient] should strongly encourage lenders and real estate professionals to advise potential homebuyers to have an inspection performed for their benefit. The inspection must be performed by a qualified or licensed real estate inspector and/or licensed contractor for specialized inspections, i.e., plumber, electrician, HVAC mechanic. The homebuyer's inspection, or any other inspection report, will not be substituted for the [Subrecipient] inspection.

Comment:  Even if it outside of the recipient's jurisdiction?

> *TDHCA Staff Response:  Staff does not believe that this comment requires a change to the housing guidelines.  To address the question, it is anticipated that the subrecipient will assist the homeowner with inspection professionals regardless of jurisdiction.  The subrecipient is responsible for ensuring the property meets HQS standards under the HOP program regardless of jurisdiction.  Subrecipients will be responsible for work conducted in other jurisdictions only after applicants qualify for their program.*

Comment:  Is this an eligible cost?  What if the sale does not go through, perhaps based on the inspection.  Is the cost still eligible?

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. TDHCA understands that in programs that deal with multiple single-family residences, some homes and/or applicants will drop out during the process and not make it to a final, eligible use.  Such costs accrued in vain will be subject to a review of reasonableness and good faith effort on behalf of the subrecipient; however, such costs are generally eligible and will be reported and the charges spread out among the portfolio of homes as an activity delivery expense.*

**Comment #97:**  Terms of Assistance
Throughout the affordability period, the homeowner is required to maintain principal residency, maintain hazard and, if applicable, flood insurance, and pay property taxes on the assisted property.  Failure to maintain hazard insurance on the life of the property may result in the lack of future federal assistance; <u>however failure to maintain flood insurance if required because the property is in a floodplain will result in the lack of future federal assistance.</u>

Comment:  What does this mean?

> *TDHCA Staff Response:  Staff does not believe that this comment requires a change to the housing guidelines.  HUD requires homes assisted with CDBG funds to maintain flood insurance if located in a designed flood zone.  Failure to maintain proper flood insurance may prohibit the homeowner from receiving future disaster recovery assistance in subsequent storms.*

**Comment #98:**  Forms of Assistance: Violation
The [Subrecipient] will be required to execute the Note with assisted homeowners (TDHCA will not be involved in the Note's execution) for all homeowner activities under the Hurricanes Dolly and Ike Disaster Recovery Programs.  The Note does not need to be notarized or recorded in the County Courthouse records.  The Note will require assisted homeowners to maintain principal residency in the assisted property for 3 years.  Cash out refinancing, home equity loans or any loans utilizing the assisted residence as collateral are not allowed for three years; <u>violation will activate the repayment terms of the Note.</u> The [Subrecipient] is required to monitor assisted households for compliance with the terms of the Note.  Homeowners that default on the terms of the Note may be reported to Credit Bureaus and the Texas Office of the Attorney General.

Comment:  How is this enforced?

> *TDHCA Staff Response:  Staff agrees and language will be added to the Homeowner Guidelines to require the grant agreement to be recorded on the property.  While not a*

*failsafe, if the beneficiary attempts to refinance the property, subrecipient should be contacted. , If the owner abandons the home or otherwise disposes of the property through voluntary actions, TDHCA will request a repayment from the subrecipient and/or the Homeowner.*

**Comment #99:** Construction: Bid Selection
Upon completion of the work write-up, at least two bids from the [Subrecipient]'s list of eligible contractors for the proposed rehabilitation work. The assisted homeowner will select the contractor of his/her choice (not necessarily the low bidder).

Comment: Why?

*TDHCA Staff Response: Staff regrets any confusion. The remaining procurement section of the guidelines still contains references to concepts that were excised by the Housing Program Guidelines Task Force. The Homeowner Guidelines will be further edited to eliminate stray references to proposed best procurement practices and include only the requirements.*

**Comment #100:** Construction: Contractor Insurance Requirements
However, if the contractor's bid is higher than 15% of the [Subrecipient]'s cost estimate or should the bid exceed the allowable maximum assistance amount, the deferred, forgivable loan will be provided to the applicant for the maximum amount available at the time of bid award. The additional bid cost, if approved by the Department, may be provided by another source of funding. The additional funds will be placed in escrow before a contract is awarded. The assisted homeowner may not select a contractor who did not bid on the proposed work. Additional procurement considerations are discussed in the General Guidelines.

Comment: What are contractor insurance requirements?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To address the question, the Contractor must carry public liability and property damage insurance in an amount not less than $500,000. This insurance must be applicable to construction work done for the program and must be in effect during the entirety of the contracted period. Evidence of such insurance must be presented prior to the execution of the contract. Additionally, the Contractor and his subcontractors must carry workers compensation insurance throughout the life of the project. To be considered exempt by State Law a signed release of responsibility must be supplied. The Contractor must have submitted all contractor certifications and proof of insurance prior to the execution of any construction contract. All contractors must* *secure and provide proof of performance and payment bonds within ten (10) business days of award of bid. Failure to do so may result in termination of award.*

**Comment #101:** Property Eligibility

At a minimum, 51% of the total number of units in the development must benefit low-moderate income persons earning 80% or less of Area Median Income as defined by HUD and detailed in the Housing and Community Development Act of 1974 (HCDA) Title I, 105(a).

Comment: Rents must be set in line with the needs data. Lower rents and mixed rent levels may be required.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. A multifamily development is categorized in CDBG as meeting the LMI requirement when 51% of the units are occupied by and affordable to LMI households.*

**Comment #102:** Selection Criteria

Comment: Selection Criteria must be consistent with overcoming impediments identified in the Interim AI.

*TDHCA Staff Response: Staff agrees with the comment and will add the comment to the Rental Program Guidelines.*

**Comment #103:** Selection Criteria

A Land Use Restriction Agreement (LURA) will be placed on each multifamily development receiving disaster funds to repair, construct or reconstruct rental units. The LURA sets forth income and rent restrictions applicable to units of affordable rental housing with respect to the specific affordable rental housing.  These documents will be filed with the local county clerk's office in the land records.  The LURA must be approved by TDHCA and require all multifamily projects and projects with 20 or more single family units under common ownership to accept of section 8 housing choice rental vouchers during the affordability period.  The LURA imposes the requirements on the property for the full loan period of ten (10) years.

Comment:  Mercedes clarification on term of use restriction. Minimum income standards same as LIHTC.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines.  HUD has not yet provided clarification.  A subsequent 10-year affordability period will be included in the rental LURA if HUD provides written confirmation that allows the LURA to be enforced under the same substantive provisions as the TxLIHTC program.*

**Comment #104:** Selection Criteria

Criteria developed by the subrecipient to identify projects providing the greatest benefit to the community may consider the following:

5. Projects are encouraged to increase the number of affordable units by exceeding the requirement to lease 51% of the units to low/moderate income households.

Comment:  Will LMI Households be given the highest priority.

*TDHCA Staff Response:  Staff does not believe that this comment requires a change to the housing guidelines.  The encouragement to exceed the minimum requirement gives LMI units priority.*

**Comment #105:** Selection Criteria

Projects are encouraged to provide units to households with the highest need for affordable housing by agreeing to create set asides targeting extremely low, very low income, low and moderate income tenants.

Comment: Projects that make units available to families and units that are single story or served by elevator to allow broader access to persons with disabilities.

*TDHCA Staff Response: Staff agrees with the comment and will add single story or served by an elevator to the selection criteria as an encouraged criteria.*

**Comment #106:** Program Requirements

Projects awarded disaster recovery funds must satisfy four levels of eligibility requirements.

Comment: six (explicitly address the impediments to fair housing identified in the interim AI and serve a client population consistent with that identified as impacted by the hurricane).

*TDHCA Staff Response: Staff agrees with the comment and will add the two additional requirements to the Rental Guidelines as suggested.*

**Comment #107:** Davis Bacon

All contracts will be payment and performance bonded. All projects are subject to The Davis-Bacon Wage Act (40 USC 276a-276-a5, 24 CFR Part 70), The Contract Work Hours and Safety Standards Act (40 USC 327 et seq), The Copeland “Anti-Kickback” Act (18 USC Sec 874), and should budget accordingly.

Comment: Section 3 requirements, reporting and goals.

*TDHCA Staff Response: Staff agrees and will add Section 3 requirements to the suggested section of the guidelines.*

**Comment #108:** Compliance Requirements

Add a fair housing marketing plan.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The guidelines already require an Affirmative Marketing Plan for multifamily developments.*

**Comment #109:** Project Lease Up Procedures

Consistent with the purpose of providing housing for families making 80% or less of AMFI.

Comment: Change to reflect the marketing to income levels identified with need.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff does not agree with the change.*

**Comment #110:** Project Lease Up Procedures

Chronological, so that tenants taken from a written waiting list are assisted in order

Comment: With units reserved for different income categories.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff does not agree with the change. 51% of the units of a CDBG-funded multifamily development will be required to be occupied by LMI beneficiaries. A higher set-aside is encouraged; however, mandated income categories at lower rents may not allow all developments to clear underwriting review without additional subsidy.*

**Comment #111:** Annual Monitoring Procedures

Completed projects require annual monitoring. Monitoring will be conducted by the subrecipient throughout affordability period. The results and reviews of monitoring activities ensure the provision of safe, decent, affordable rental housing in compliance with all applicable regulations. Income targets and rents must comply with Affordable Rental Program LURA requirements and other compliance requirements. Monitoring includes:

Comment: Prompt and accurate data on rents and tenant populations furnished to the State for inclusion in Annual State Low Income Housing Report.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Disaster Recovery multifamily beneficiary data is currently available for inclusion in any report.*

**Comment #112:** Annual Monitoring Procedures

Compliance Standards Review (CSR) to ensure compliance with the CDBG regulations and the NOFA, but not limited to, the following:

Comment: AI(?), Section 3, Data on program recipients as set forth in the CA.

*TDHCA Staff Response: Staff agrees and will include the requested reporting requirements in the guidelines.*

**Attachment B**

**Comment #113:** Target Areas

Indicate any particular areas in those boundaries where assistance will be targeted to affirmatively further fair housing through disaster recovery.

Comment: No one will be able to figure this out without TDHCA's help.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff will provide technical assistance to subrecipients to identify the populations to serve and the geographic areas corresponding to FEMA-designated High Risk areas and areas of high minority and poverty concentration. The Phase 1 Analysis of Impediments will help establish these target communities by providing detailed maps on minority and poverty concentrations. Assistance will be provided to the subrecipients by TDHCA to determine FEMA-designated High Risk areas prior to and including the environmental review process.*

**Comment #114:** Eligible Beneficiaries

Assistance under this activity may not exceed 80% of the Area Median Family Income (AMFI). All homebuyer assistance must be targeted to the socio-economic subcategories and demographics as described in the General Guidelines.

Comment: be extended to household's whose incomes…

*TDHCA Staff Response: Staff agrees with the comment and will edit the Homebuyer Assistance Guidelines to include the phrase "…be extended to households whose incomes…"*

**Comment #115:** Amount of Assistance
HOP Homebuyer Assistance is limited to the Housing Assistance Caps in the General Guidelines. The base unit "bid" amount is the maximum amount of assistance available to purchase a new/existing home. It is set when the standardized set of new home specifications in the General Guidelines are bid locally. The intent of this rule is to equalize the funding available for different activities and choices. HOP Homebuyer Assistance allows for additional costs above the base unit amount including any necessary accessibility items or features abatement measures, and services (such as real estate professional fees, etc.). Additional costs are specified and capped in the General Guidelines.

Comment: Moving and utility connection costs were included when we negotiated the CA.

*TDHCA Staff Response: Staff regrets the confusion. The General Guidelines will be edited to clarify that moving and utility connection costs are included in the Services category of the Housing Assistance Caps.*

**Comment #116:** Amount of Assistance
Temporary relocation assistance may be offered at the discretion of the [Subrecipient]; however, the assistance may not exceed $5,000 per household. It is anticipated that the assistance will be provided when the closing occurs for the new or existing home purchase and temporary relocation assistance may not be necessary.

Comment: It would be better to list ALL the eligible costs that the $5,000 could be used for here.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The utilization of temporary relocation assistance is not anticipated to be widely utilized by subrecipients as it is not required. If subrecipients elect to utilize temporary relocation funding, they will be required to submit a plan to TDHCA for review and approval prior to incurring costs.*

**Comment #117:** Counseling Education Program
The applicant must complete at least eight (8) hours of homebuyer education from any participating HUD Approved Housing Counseling Agency prior to acceptance into the Program. The certification for the course is valid for one year. Counseling programs will encourage individuals to participate in homeownership and provide a method to track the achievement of the homeownership goal. Costs of the program vary depending on who provides the courses.

Comment: I'd like to see counseling provided through the NHS curriculum.

*TDHCA Staff Response: Staff agrees and will include a preference for the National Housing Services (NHS) homebuyer education curriculum.*

**Attachment A**

**Comment #118:** Introduction
Benefit to Low to Moderate Income (LMI) is the principal National Objective approved for the Disaster Recovery Single Family Homeowner Program under Round 2. The use of Slum and Blight is eligible and, if requested by the [Subrecipient], will be evaluated during application review. The use of Urgent Need is not anticipated to be permitted with Dolly and Ike Round 2 funding. Eligible activities, which are defined in the General Guidelines, are as follows: rehabilitation, reconstruction, replacement, or new construction, and associated elevation and demolition. [Subrecipient] may also provide assistance for Individual Mitigation Measures (energy efficiency and storm mitigation activities).

Comment: Consistent with the duty to proportionally assist beneficiaries based on income and tenure.

*TDHCA Staff Response: Staff agrees and the guidelines will be edited to ensure that eligible activities are utilized in a manner consistent with the needs identified in the needs assessments.*

**Comment #119:** Program Design

[Subrecipient] will design a program utilizing the damage assessments provided by HUD and where appropriate, local data and Federal Emergency Management Agency (FEMA) data in order to determine the areas most impacted by the storms. TDHCA will assist with the analysis and provide raw data.

Comment: in order to determine the areas and populations

*TDHCA Staff Response: Staff agrees and will add the word "populations" to the sentence in the Homeowner Assistance Guidelines.*

**Comment #120:** Needs Assessment
The [Subrecipient]'s Program Design must be based on a Needs Assessment, working with HUD information and conducted by local governments, according to the requirements detailed in the General Guidelines. That assessment serves as the basis for the specific Single Family Homeowner Program that will be offered by the [Subrecipient]. Specifically, the assessment will be used to determine the activities to be offered, the demographics to receive concentrated attention and the target areas to be served.

Comment: the assessment will be used to determine the activities to be offered to meet the types of housing needs experienced by the affected populations

*TDHCA Staff* Response: Staff agrees and will make the edit to include the phrase "…to meet the types of housing needs experienced by the affected populations" in the Homeowner Assistance Guidelines.

**Comment #121:** Priorities for Evaluating Applicants
A first-come, first-served program to benefit low and moderate income persons defined as a total household annual gross income that does not exceed 80% Area Median Family Income (AMFI) is not an acceptable Program Design. Furthermore, to meet the agreed upon goals of the Conciliation Agreement, it is not sufficient Program Design alone to attempt to administratively prevent providing a benefit to moderate-income persons at the exclusion of low-income persons. Results based on data from the Needs Assessment must be met. The LMI demographic groups must be disaggregated as follows:

4. 0% - 30% AMFI
5. 31% - 50% AMFI
6. 51% - 80% AMFI

All eligible applicants must be evaluated in order to establish the priority of funds within the above-referenced economic subgroups. However, each subgroup must be funded at the levels indicated by the Needs Assessment and analysis. The intention is to incorporate both the family and dwelling characteristics of applicants in order to establish a system that gives the households that are less able to address need without public assistance a higher priority. The following household characteristics indicate a funding priority within the economic subgroups:

Comment: However the lowest income families may be funded at a level in excess of their population's percentage of need.

*TDHCA Staff Response: Staff agrees and will add the phrase, "…however, the lowest income households may be funded at a level in excess of their population's percentage of need" to the Homeowner Assistance Guidelines.*

**Comment #122:** Priorities for Evaluating Applicant: Disability
**Disability**. Any documented disability of one or more members of a household that affects the design of the assisted unit, and has a lower AMFI.

Comment: Households with a disability may be given priority over other households within their income set-aside.

*TDHCA Staff Response: Staff agrees and will add language to the Homeowner Assistance Guidelines to allow for the possibility that households with a disability may be given priority.*

**Comment #123:** Application Intake and Counseling
A mechanism must be incorporated into Program Design to prevent any pre-screening of applicants without a written application being taken. Anyone who requests to participate in the program will be provided a TDHCA application package to complete.

Comment: Anyone who makes inquiry about the program.

*TDHCA Staff Response: Staff agrees and will replace the existing language with the suggested language in the Homeowner Assistance Guidelines.*

**Comment #124:** Application Intake and Counseling
To provide the greatest chance for the Conciliation Agreement to be successful, single family applicants should be provided a counselor as an application intake person to explain the various programs and activities.

Comment: Not "should" but "will"

*TDHCA Staff Response: Staff agrees and will replace the existing language with the suggested language in the Homeowner Assistance Guidelines; however, please note* *that services, such as real estate professionals, will only be provided to applicants who qualify for the HOP.*

**Comment #125:** Application Intake and Counseling
Counselors will be trained to be well versed in all activities, but specifically the buyout program found in the Conciliation Agreement that will explain options for LMI applicants to overcome recognized impediments to fair housing. Such a program will provide the following to those who have been determined by the [subrecipient] to qualify for the HOP:

4. Provide counseling for the purchase of existing property including but not limited to realtor support, moving support and other program benefits to allow the applicants to select this option without a diminution of benefits.
5. Provide counseling for the new construction of a home on an alternative site including lot acquisition costs.
6. Provide counseling for reconstruction in place.

Comment: Fluent in the native language of the applicant will be assigned to clients as appropriate and… (Insert after counselors)

*TDHCA Staff Response: Staff agrees and will add language in the Homeowner Assistance Guidelines to provide counselors or interpreters able to communicate with the applicant in their primary language.*

**Comment #126:** Housing Standardization
For new and reconstructed homes, construction specifications (for 2, 3 and 4 bedroom homes with total square footage ranges), will be developed by TDHCA. Each home must be constructed in accordance with Chapter 2306.514, Texas Government Code. The [Subrecipient] may engage an architect to allow for local architectural variations; however, basic square footage (within ranges), room requirements, building materials and general specifications must remain standardized for any home newly constructed or reconstructed with CDBG DR funding. Elevation options will be developed by the [Subrecipient]. The standardized specifications will then be put out for bid locally.

Comment: Not “remain standardized” but “be substantially cost equal”.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff does not completely agree. The standardized specifications will be bid locally with local architectural variations and the resulting costs will not likely be substantially equal due to local variations in costs of labor and materials. Standardized specifications will produce a “standard” house that is substantially the same across the regions with variations in cost.*

**Comment #127:** Base Unit design Criteria
8' ceilings throughout all Rooms/Porches

Comment: minimum

*TDHCA Staff Response: Staff agrees and will edit the guidelines to include the word "minimum" which will allow for local architectural variations.*

**Comment #128:** Base Unit design Criteria
4'-6' Front Porch depths (covered)

Comment: minimum

*TDHCA Staff Response: Staff agrees and will edit the guidelines to include the word "minimum" which will allow for local architectural variations.*

**Comment #129:** Types of Assistance Offered
Temporary relocation assistance may be offered at the discretion of the [Subrecipient]; however, the assistance may not exceed $5,000 per household.

Comment: Must be made available to participants in HOP.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The temporary relocation assistance is already available to HOP applicants (at the discretion of the subrecipients) who elect to remain and rehabilitate or reconstruct their storm-damaged home under the Homeowner Assistance Guidelines instead of relocating. HOP applicants who elect to relocate will not need temporary relocation assistance as they will not be relocated until their relocation home is ready to be occupied.*

**Comment #130:** Supplemental Improvements
Rehabilitated homes inhabited by handicapped or elderly persons must be analyzed as to the special physical needs of such persons. Improvements such as widened doorways, ramps, level entry and doorways, and grab bars in bath areas must be installed, if appropriate.

Comment: Do we want to ay two assessable entrances will be made available?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines as staff does not agree. The accessible entrance requirements will conform to, but not exceed, the minimum entrance requirement of 2306.514 of the Government Code.*

**Comment #131:** Construction
If the unit to be assisted was built prior to 1978 and the type of assistance offered will be rehabilitation, the assisted unit will be tested for the presence of lead based paint. If present, the removal of lead based paint will be considered in the costs of rehabilitation. Lead paint inspection provides two benefits: (1) the costs of abatement are considerable and must be factored into the cost estimates for rehabilitation and (2) the health risks to residents, particularly children, may be severe so any presence of lead based paint in an assisted unit, even one that is to be reconstructed, must be reported so that the residents may seek appropriate medical attention.

Comment: I thought we had extra money that kicked in for lead abatement.

*TDHCA Staff Response: Staff agrees with the comment and regrets the confusion. Abatement costs are allowed up to $20,000. Please note, however, that actual abatement (unlike testing for lead based paint) will not be allowed as an activity delivery expense. In order to eliminate confusion, the phrase "under the Abatement cap (as set in the General Guidelines)" will be added to the sentence ending in "costs of rehabilitation" of the Homeowner Guidelines.*

**Comment #132:** Changes, Waivers, and/or Conflicts
In the event that these Guidelines conflict with local, state, or federal law, the more stringent requirement will prevail, provided that the requirement does not violate local, state or federal law.

Comment: We should probably set out Section 3 contractor requirements here.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. General Section 3 requirements will be included in the guidelines; however, staff will develop and provide to all subrecipients additional and detailed Section 3 guidance separate from the guidelines.*

**General Guidelines**

**Comment #133:** Rental Activity
Rental Activity – Acquisition, rehabilitation, or construction of affordable rental housing resulting in structures where at least 51% of units are occupied by LMI persons. Income and rent restrictions apply to the rental units to be built or assisted with CDBG funds.

Comment: Need to get Mercedes to OK the 20 year affordability restriction.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines. HUD has not yet responded with a determination. If HUD requires a 20-year affordability period, TDHCA will make the necessary changes to conform to HUD policy.*

**Comment #134:** Evaluation of Data
If any public comment is made, the subrecipient must address the comment in a public response.

Comment: We want notice and notice to HUD.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines. Reasoned responses to public comment are required to be publicly accessible by all.*

**Comment #135:** Evaluation of Data
Persons with accessibility or other special needs adaptations should also be analyzed as part of the process.

Comment: Need more guidance here.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines. Technical assistance will be available to subrecipients as they develop their program design.*

**Comment #136:** Targeting Communities
As called for in Part A of the General Program Guidelines, an affirmative marketing plan to conduct outreach to the impacted communities is required in order to apply for the disaster recovery program. The outreach program developed should be approved in advance by

TDHCA or, in the alternative, posted for 15 days for comment on a publicly accessible website with notice to TDHCA that the plan has been made public. Public comments made should be addressed prior to utilization of the plan.

Comment: This makes no sense. TDHCA should approve the plan.

*TDHCA Staff Response: Staff agrees and will edit the guidelines to require TDHCA approval of affirmative marketing plans.*

**Comment #137:** Program Requirements
According to the Conciliation Agreement, TDHCA's proposed subrecipient performance standards will require that within a period of no more than eighteen months from the date of commencement of the Program, each subrecipient will have identified sufficient eligible beneficiaries such that the subrecipient will be able to provide reasonable assurance that the subrecipient will be able to expend all applicable funds within TDHCA-established benchmarks.

Comment: Or what? Why do we say "according to the CA"?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff will revise program rules to cover benchmarks and sanctions.*

**Comment #138:** Affirmative Marketing Housing Program
In addition, measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing sign language assistance when requested if possible, and providing special assistance for those who are visually impaired when requested.

Comment: Special outreach to assisted living facilities, etc.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines as staff does not agree with a requirement to provide special outreach to assisted living facilities.*

**Comment #139:** Affirmative Marketing Housing Program
Multifamily rental programs must develop an Affirmative Marketing Plan for each development receiving CDBG Disaster Recovery funding. The plan, pursuant to federal regulations, will outline strategies to inform the public about the housing opportunities, requirements/practices that the owner must adhere to in executing the Affirmative Marketing Plan, the procedures that

will be followed in soliciting applications, followed by a description of records that will be maintained and made available for review as needed.

Comment: Notice of units available must be provided PHAs in the region. Detail minimum efforts required to notify DHAP clients of rental housing available.

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to require developments to list property on PHA landlord list and provide notification to DHAP providers.*

**Comment #140:** Program Marketing
Evaluation of outreach activities and application received will be necessary to determine if applications are received from a diverse population and ranges of income to ensure low/moderate income households are assisted in a proportion to the percentage of overall populations.

Comment: Need some standard. One month after announcement review applicants against the needs data. Follow up every 30 days. Provide report to TDHCA.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Reporting requirements will be detailed in the contract between TDHCA and the subrecipient, including a provision for submission of reports on demand.*

**Comment #141:** Reporting Requirements
Compliance will be maintained in accordance with the reporting requirements under TDHCA's CDBG Disaster Recovery Hurricane Program. This includes all information and reports as required under the TDHCA contract with the [Subrecipient] and demographic data and other information on applicants and awardees processed by the [Subrecipient] as required by the Conciliation Agreement.

c. TDHCA will establish procedures for subrecipient reporting on affirmatively furthering fair housing that is compliant with the Conciliation Agreement.

Comment: So, basically we are postponing these instructions. I would like to see them provided here to help guide the recipients' approach to designing programs.

> *TDHCA Staff Response: Staff agrees and will add the data collection and reporting requirements for Affirmatively Furthering Fair Housing as required by the Conciliation Agreement to the General Guidelines.*

**Comment #142:** Site and Development Restrictions

Housing that is constructed or rehabilitated with CDBG funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. International Residential Code (IRC) (with windstorm provisions) and International Building Code (IBC) must be used as required where appropriate. All rehabilitation projects must comply with Housing Quality Standards (HQS) and all applicable local codes and ordinances. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a CDBG-assisted property, [Subrecipient] may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

Comment: Energy Star HRRS 80 rating.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff will develop program rules in accordance with 2306.187 of the Government Code to outline energy efficiency requirements for Disaster Recovery. These energy efficiency rules will be consistent with other similar TDHCA programs, such as the HOME Program, for single and multifamily construction.*

**Comment #143:** Complaint/Appeal Process
Complaint/Appeals Process. Any resident or business may file a written complaint alleging non-compliance with CDBG Disaster Recovery Hurricane Dolly or Ike Program. Complaints will be investigated to seek resolution. A written complaint must contain:

- Name and address of the person filing the complaint;
- Subject of complaint
- Description of acts or omissions in alleged violation of CDBG Disaster Recovery Program.

Comment: Information about the right and how to file a complaint shall be printed on all program applications, guidelines and subreceipent web sites in all local languages.

> *TDHCA Staff Response: Staff agrees and will insert a complaint/appeals process in the guidelines which includes local language provisions as suggested, within reason.*

**Comment #144:** Complaint/Appeal Process
Written complaints should be filed with:

- Contact information

> Comment: Provide a phone number and a person with appropriate language skills to take complaints.

*TDHCA Staff Response: Staff agrees and will insert a complaint/appeals process in the guidelines which includes local language provisions as suggested, within reason.*

**Comment #145:** Complaint/Appeal Process
Upon receipt of a written complaint the [Subrecipient] will send a written acknowledgement to the complainant within five (5) working days of the receipt of the complaint. Designated personnel will work with production staff to investigate the specific allegations of the complaint to render a finding. A written response will be provided to the complainant within fifteen (15) business days with the determination of the complaint. TDHCA must be supplied a copy of any letter denying an appeal or dismissing a complaint within the fifteen (15) business days allotted for a response to the complainant.

Comment: TDHCA shall be supplied notice of all complaints.

*TDHCA Staff Response: Staff agrees and will insert a complaint/appeals process in the guidelines which will include notice provisions as suggested.*

**Comment #146:** Homeowner Opportunity Program: Introduction
If the income-qualified applicant lives in a FEMA-designated “High Risk” area or areas of high minority and/or poverty concentration (determination must be corroborated by TDHCA), the applicant qualifies for further counseling on the options of the HOP which include repair/replacement of the existing home or relocation.

Comment: corroborated: This needs to get nailed down up front.

*TDHCA Staff Response: Staff agrees with the comment and the term FEMA-designated High Risk area will be defined in the guidelines. The definition will include the requirement that all such areas in the subrecipient’s jurisdiction will be identified in the environmental review process which must occur prior to expenditure of project funds.*

**Comment #147:** Homeowner Opportunity Program: Introduction
Any subrecipient who intends to provide housing benefits must develop a program that provides opportunities consistent with this guidance prior to seeking applications. To accomplish this, Reconstruction, Rehabilitation, LMI Homebuyer Assistance, or Acquisition (combined with another eligible activity) must be offered at a minimum.

Comment: TDHCA will provide a mandatory process, counselor qualifications, reporting forms, etc.

*TDHCA Staff Response: Staff agrees and will edit the guidelines to include the suggestion that TDHCA provide a process, qualifications and standardized forms.*

**Comment #148:** Counseling Made Available
As applications are being accepted and reviewed for determinations of eligibility to participate in the Program, each application should be evaluated for the potential benefit of a counselor to provide guidance on affirmatively furthering fair housing options.

Comment: No. Everyone gets counseling.

*TDHCA Staff Response: Staff agrees and will edit the guidelines to state that each applicant should be counseled and the various housing program options be evaluated with each applicant.*

**Comment #149:** Counseling Made Available
Applicants determined to be eligible for participation in the HOP will receive counseling to provide guidance on affirmatively furthering fair housing, buyout options and real estate professional services unless expressly declined by the applicant.

Comment: No. Everyone gets counseling.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff disagrees with the comment. While counseling will be offered to every applicant, they cannot be forced to accept the service.*

**Comment #150:** Use of External Professionals
The HOP Homebuyer Assistance program should be designed to allow for the cost of professionals. Examples include real estate agents to provide guidance to applicants about lots or homes that are available in the community that will work to offset or correct concentrations of protected classes or concentrations of poverty.

Comment: When we negotiated it was agreed the state would work this out with the Realtors at the state level. I think that is better than have each COG try to negotiate separately. We need state developed certification training, procedures and standards.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Staff will develop guidance pertaining to qualification* *requirements, training and standardized methodology. The guidance will also include the fee structure. However, the state does not intend to negotiate a state-wide contract.*

**Comment #151:** Documentation of Program
Any professional services rendered should create a contract with the applicant making the applicant aware that they are representing the applicant and not the program.

Comment: Provision needs to be made to allow people to explore the properties that would allow them to relocate and then decide to instead to rehab or rebuild their existing home if they decline the relocation option after exploring alternatives.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. All eligible applicants will be provided the option of counseling and the services of real estate professionals. Costs incurred in vain will be evaluated for eligibility and "good faith effort;" however, they are generally eligible and may be spread out among the portfolio of activity delivery costs.*

**Comment #152:** Acquisition of Property
Taxes must be current on the property to be acquired. CDBG DR funds cannot be used to directly pay back taxes.

Comment: This is a problem.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. CDBG funds cannot be used to directly pay back taxes.*

<u>Madison Sloan</u>
**Comment #153:** Guidelines Change
Giving Subprecients the right to "change, modify, waive, or revoke all or any part of these guidelines," defeats the purpose of adopting standard Housing Guidelines. Under the Conciliation Agreement, these guidelines will be adopted by TDHCA and submitted as an amendment to the State Action Plan. The Agreement states that "[t]he recommendations will provide and allow for adjustments to these criteria to reflect differences in the costs of delivery for benefit and the economic profile of local target populations," but does not allow subrecipients to opt out following the guidelines at the discretion of THDCA alone. Subrecipients have developed these guidelines through participation the Housing Guidelines Task Force and there has been ample opportunity for public comment. If a subrecipient requests a change to the guidelines that is not explicitly allowed by the Conciliation Agreement, that change must be submitted to the Housing Guidelines Task Force, posted for public comment, and adopted by

TDHCA. Any requested change that constitutes a substantial change to the Housing Guidelines must be submitted to HUD as an Action Plan Amendment.

> *TDHCA Staff Response: Staff agrees with this comment and will add the following language to the guidelines:*
>
> *TDHCA will provide the option for a waiver to the Housing Program Guidelines only after posting the waiver request on the Department's website for a public comment period of at least ten (10) days. The waiver request must demonstrate why the housing guidelines are not practicable for the subrecipient.*

**Comment #154:** Standard Documentation
Any and all forms and standard documents required by the guidelines should be developed and supplied to subrecipients by TDHCA. Subrecipients related a number of delays related to developing and getting approval for various program forms in Round 1; the intent of these Guidelines is to streamline the process for subrecipients as well as beneficiaries and to ensure that all potential beneficiaries have equitable access to housing programs.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines*. *TDHCA has provided forms and standard documents. The Department is currently working with each subrecipient and will continue to develop the necessary forms and standard documents to better streamline the process for subrecipients and beneficiaries.*

**Comment #155:** Davis Bacon
The information about Davis Bacon wage requirements does not apply to single family rental and should not be included in that definition.

> *TDHCA Staff Response: Staff partially agrees with this comment, except that Davis Bacon does apply to eight or more single family homes on an undivided lot or contiguous lots or parcels which are commonly owned and operated as one rental project. We will include this distinction in the Guidelines.*

**Comment #156:** Complaint/Appeal Process in Housing Programs
A Complaint/Appeal process that provides applicants with sufficient written notice, a meaningful opportunity to be heard, and is accessible to all populations must be included in all housing programs. We recommend that TDHCA develop standard complaint/appeal forms to ensure that notice is sufficient.

1. Information about the right to file a complaint or appeal and how to file a complaint or appeal shall be printed on all program applications, guidelines, and subrecipient websites. Notice must be provided in all local languages.
2. All decisions made by subrecipients, for example, a decision that an applicant is not eligible for housing assistance, must be in writing. Notices must include specific reasons for the decision and refer applicants to the rule or policy that subrecipient has relied on to make the decision.
3. Notices must include information about the applicant's right to complain/appeal including how to file a complaint/appeal and the contact information for the entity with which complaints/appeals must be filed. Notice should also include applicant's right to obtain an attorney or other assistance with the appeal/complaint.

*TDHCA Staff Response: TDHCA agrees with this comment and will adopt the process used under Hurricane Rita Round 2. This more comprehensive process will replace the existing complaint process in the guidelines in its entirety.*

**Comment #157:** Protection of Homes by Subrecipients
We strongly support ensuring that HOP and other homeowner beneficiaries are not vulnerable to predatory lending and other practices that put their homeownership at risk during the term of the Disaster Recovery Loan. We believe the State and subrecipients will need to take further steps to ensure that these homes are protected.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. TDHCA will insert into the grant agreement that beneficiaries of recovery funds cannot enter into agreements to receive cash based on the Home's equity during the required affordability period.*

**Comment #158:** Single Family Rental Program
The Single Family Rental Program will not be accessible to "mom and pop" landlords who own only one rental property. These landlords have more in common with owner-occupied applicants than multifamily rental applicants and developers, and need similar levels of assistance to complete the process. Research shows that these are the properties least likely to be rehabilitated following a disaster, contributing to blight and delaying the recovery of specific neighborhoods and communities. This program needs to be reconsidered.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. TDHCA is going to require subrecipients in each housing program have an intake counselor to assist applicants into any program. This will make the programs accessible to "mom and pop" landlords and will provide these applicants the necessary assistance with documentation and navigation throughout the life of the program. Once a counselor is assigned to an application, the counselor should remain with that applicant as the chief point of contact (case manager), throughout the life of the application process until closing of the property. If a counselor leaves or is reassigned, the applicant will be assigned a new counselor who shall make contact with the applicant within 10 days of being assigned the file. Counselors will have resource information available to them to provide educated advice and to assist in decision making by the clients. These materials should include, at a minimum, school district ratings for eligible communities in the subrecipient's jurisdiction, health service facilities and programs available in the community for those needing assistance, a mechanism for discussing transfer of programs currently being utilized by applicant, and average utility costs and taxes for eligible program communities.*

**Comment #159:** Transfer of Applications
With the goal of continuity from the applicant's viewpoint, subrecipients should create a process to transfer Round 1 applications to the Round 2 program. The gathering of additional information and re-review should not require Applicants to fill out a new application.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. To the extent that a round 1 applicant meets the needs assessment, the marketing program, and the Round 2 qualification, TDHCA will encourage subrecipients to only update information needed and rely on the Round 1 application to the greatest extent possible.*

**Comment #160:** Proof of Damage
Some Texans whose homes were damaged by Hurricanes Ike and Dolly may not have FEMA, SBA, or insurance award letters. Those most likely to need assistance from CDBG with rebuilding their homes are the same populations that were disproportionately denied disaster assistance by FEMA under its unpublished "deferred maintenance" rule, were unable to afford insurance, or were denied an SBA loan because they did not have enough income to qualify. The problem of documenting this damage is further complicated by the fact that FEMA left the Rio Grande Valley after Hurricane Dolly before completing home inspections, that contemporaneous documentation may have been lost in the two years since the Hurricanes, and that many homes have continued to deteriorate and have sustained further damage from subsequent natural disasters.

The proposed documentation guidelines recognize the situation faced by both beneficiaries and subrecipients, and we commend the commitment of the Task Force and the agency to making the program work and ensuring that disaster victims get the help they need. Our understanding from housing providers and advocates is that inspectors are generally unwilling to certify that damage was caused by a particular storm, particularly two years after said storm. We are also concerned that having subrecipients identify entire areas as qualified, for example, through media reports would make it more difficult to prevent fraud. As an alternative, we suggest that the statement (by affidavit or otherwise) create a rebuttable presumption that the damage occurred during Hurricane Dolly or Ike. If there is no evidence rebutting this statement, from the inspection or other sources, the applicant has demonstrated that the damage or destruction to structures was a direct result of Hurricane Dolly or Ike. Additional information, in the form of media reports, applications for assistance immediately following the disaster, contemporaneous pictures, etc. could be used to supplement an individual applicant's statement or to resolve a dispute or appeal.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The guidelines allow other types of documentation to support the storm damage requirement when an applicant, does not have the preferred FEMA, SBA, or insurance hurricane damage assessment documentation.*

**Comment #161:** Housing Benefits in Relation to Needs Assessment
subrecipients must provide housing benefits consistent with a Needs Assessment for their jurisdiction as well as consistent with these guidelines. For example, if the area's Needs Assessment shows that 50% of housing need is for rental housing, the subrecipient cannot devote 75% of housing assistance to owner-occupied assistance. Similarly, providing homebuyer assistance if the need for reconstruction or rehabilitation has not been met would be inconsistent with the Housing Guidelines.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The Guidelines require that the formula for reaching the needs assessment be posted for public comment so that the there is transparency in how the needs assessment was conducted. In addition, the programs must match the needs assessment. Areas that are included in the state program for affordable rental housing rehabilitation replacement may count that toward meeting the needs of the community.*

**Comment #162:** Homeowner Opportunity Program (HOP)
Why is the value of the original storm-damaged property relevant? Homeowners eligible for HOP will essentially be "swapping" land and transferring title to the subrecipient as part of the process of obtaining a new home in a higher opportunity area.

*TDHCA Staff Response: Staff agrees with this comment and will edit the Homebuyer Guidelines to reflect the value of the original storm damaged property to be the replacement cost of a home based on the current household composition. HUD requires this program to be used as an acquisition/buyout and HBA and therefore the initial amount of the home being acquired through the buyout must be set, but can be determined as indicated above.*

**Comment #163:** Multifamily Rental
Is the Multifamily Rental Program distinct from programs to rebuild Subsidized Housing?

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The Rental Housing Guidelines were created for the subrecipients offering rental housing activities. TDHCA is administering the Affordable Rental Housing Program in the amount of $174 Million. The Action Plan and Conciliation Agreement contain conditions and set asides for the TDHCA administered program including the one-for-one replacement of public housing.*

**Comment #164:** Migrant Farm Workers
Verbal Comment: Please discuss and review the issue of migrant farm workers and how primary residency relates to them.

*TDHCA Staff Response: Staff will modify the Homeowner Guidelines to include the use of the principal residency affidavit currently in use in Round 1, which in the absence of a documented homestead property tax exemption (preferred method), provides an alternative manner of claiming principle residency through signing of the affidavit and provision of back-up documentation such as utility bills, etc. In addition, the deferred forgivable loan note will be edited to allow for extended absences due to work duties.*

**Comment #165:**
The overall structure of the guidelines is somewhat confusing and repetitive because the Homeowner Opportunity Program (HOP) is included as a section of the General Guidelines but all other program activities are broken out into separate documents. Combining the various attachments into one set of Housing Guidelines would also shorten and clarify the guidelines by eliminating a number of sections that are repeated in each attachment and the general guidelines.

Suggested Structure:
Part A – General Program Guidelines
Part B – Homeowner Opportunity Program
Part C – Homeowner Assistance
Part D – Homebuyer Assistance
Part E – Multifamily Rental Assistance
Part F – Single Family Rental Assistance

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines.*

**Comment #164:**
The guidelines, seemingly at random, identify certain rules as "[a]ccording to the Conciliation Agreement." The purpose of this is unclear and we recommend that all such references be deleted to avoid confusion and ambiguity.

*TDHCA Staff Response: Staff agrees and will edit the guidelines accordingly.*

**Comment #165:** Introduction
Page 1 ¶ 2 The discussion of dividing the Guidelines into Parts and separate documents and options for HOP-eligible applicants is unclear and confusing. As the HOP and other programs are addressed in the guidelines themselves, it is unnecessary to include this in an introductory paragraph that otherwise does not discuss the substance of programs.
Suggested ¶2:
Housing Guidelines were developed to serve as the basis for Hurricanes Dolly and Ike Round 2 housing programs. These Round 2 Housing Guidelines do not replace or supersede the Guidelines developed by subrecipients under Round 1 funding, unless expressly adopted by the subrecipient.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines.*

**PART A – GENERAL PROGRAM GUIDELINES**

**Comment #166:**
Page 2, II. The definition of Homeowner Opportunity Program describes the program as one which "may be utilized to affirmatively further fair housing for . . . applicants." The program is a way for subrecipients to carry out their obligations to affirmatively further fair housing, but in fact all activities undertaken using CDBG-DR dollars must be carried out in a way that affirmatively furthers fair housing: Subrecipients are not furthering fair housing on behalf of individuals, but on behalf of the entire community.

Suggested Language:
Homeowner Opportunity Program - Income-qualified applicants who live in a FEMA-designated "High Risk" area or area of high minority and/or poverty concentration (as determined by TDHCA) may elect to repair/replacement their existing homes or to relocate to a safer and higher opportunity area. This program will involve relocation counseling and the provision of licensed real estate professionals to explain the options and choices available. (See Part B).

*TDHCA Staff Response: Staff agrees and will change the definition as suggested in the General Guidelines.*

**Comment #167:**
Page 2, II. The HOP applies to homes located in a FEMA-designated "High Risk" area, which is not necessarily contiguous with the 100-year Flood Zone. These terms are used interchangeably in several sections of the document and need to be conformed. In addition, the standards for poverty and minority concentration need to be defined, by TDHCA, and included in the final guidelines.

*TDHCA Staff Response: Staff agrees and will define the terms FEMA-designated "High Risk" area and areas of high poverty and minority concentration in the guidelines.*

**Comment #168:**
Page 3,II ¶2. The phrase "or under common ownership" should be added to the end of the paragraph defining Multifamily Rental so that sentence is consistent with the first sentence.

*TDHCA Staff Response: Staff agrees and will modify the definition; however, the solution was to eliminate the phrase from the multifamily definition altogether, as it is a phrase more applicable to single-family rental projects.*

**Comment #169:**
Page 3, II¶3. The meaning of "housing choice" in the context of this paragraph is unclear and should be defined. The last clause of the paragraph should read "how funding will be prioritized as determined through the Needs Assessment" rather than "are determined."

*TDHCA Staff Response: Staff agrees and will eliminate the phrase "housing choice" from the definition of Program Design as it was unnecessary to the context of the paragraph. The above-referenced suggested edit to "as determined" will be incorporated in the General Guidelines.*

**Comment #170:**
Page 3, II¶7. HUD's definition of "Duplication of Benefits" has changed in the past, and we are currently advocating for a new policy that presents less of a barrier to CDBG-DR assistance. We suggest language indicating that the State will follow HUD's policy on Duplication of Benefits rather than incorporating a specific definition into the guidelines at this time.

*TDHCA Staff Response: Staff agrees and will make an edit to the General Guidelines to allow for the most permissive current interpretation provided by HUD in determining Duplication of Benefit.*

**Comment #171:**
Page 4, ¶4. HUD's Glossary of CPD Terms defines "family" as "a household composed of two or more related persons. The term family also includes one or more eligible persons living with another person or persons who are determined to be important to their care or well being, and the surviving member or members of any family described in this definition who were living in a unit assisted under the HOPWA program with the person with AIDS at the time of his or her death." The definition of "family" in the guidelines should be updated to conform to the HUD definition.

*TDHCA Staff Response: Staff agrees with the comment and will revise the definition in the General Guidelines.*

**Comment #172:**
Page 5, III.c. The method of evaluating data to create a Needs Assessment should be uniform. The Needs Assessment must produce the same data for all subrecipients, including data on needs for rental housing and owner occupied housing, the proportion of housing damage suffered by populations at various income levels, and the needs of persons with disabilities and other special needs in the community. Because allocation and program decisions must be based on this Needs Assessment, the accuracy and uniformity of the data and methodology used is critical.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines.*

**Comment #173:**
Page 5, V.a. Subrecipients may provide an additional amount of funding to assist applicants at the lowest income levels, but may not provide less funding than required by the Needs

Assessment. The word “unbalanced” in the final sentence of (a) should be changed to “additional.”

*TDHCA Staff Response: Staff agrees with the comment and will make the edit to the General Guidelines.*

**Comment #174**
Page 5, V.b and V.c. Affordable housing and fair housing are different issues. While socioeconomic status and membership in protected classes under the Fair Housing Act may often overlap, they are not interchangeable. The inclusion of poverty and income levels in guidelines on targeting to affirmatively further fair housing conflates fair housing and affordable housing and may mislead subrecipients.
<u>Suggested language:</u>

(e) Once targeted areas are identified, the subrecipient shall use the Phase 1 Analysis of Impediments to Fair Housing to determine what impediments to fair housing choice exist in those areas.

(f) Based on the specific impediments identified, recommended actions to overcome the impediments should be developed into a program plan.

*TDHCA Staff Response: Staff agrees and will edit the General Guidelines to clarify the two points.*

**Comment #175:**
Page 6, VI.b. Programs or activities must address identified impediments to fair housing not help individual households do so. The words “assist beneficiaries to” should be deleted from the last sentence of (b). The preceding sentence that begins, “[t]he Program Design must identify . . . “ is redundant and should be deleted.

*TDHCA Staff Response: Staff agrees and will edit the guidelines as suggested.*

**Comment #176:**
Page 6, VI.c. Subrecipients’ obligations are as follows:

- Prior to the completion of the Phase 1 Analysis of Impediments (disaster-area AI), subrecipients must conduct a local review of impediments sufficient to support the required demonstration that any project submitted for priority funding affirmatively furthers fair housing.
- Once the Phase 1 disaster area AI is complete, subrecipients must conduct whatever level of review and evaluation is necessary to apply the findings of the disaster area AI to their jurisdiction and design programs that affirmatively further fair housing in compliance with that AI and analysis. **Local jurisdictions do not need to conduct a local Analysis of Impediments in addition to the disaster area AI.**
- Subrecipients may incorporate existing Analysis of Impediments documents into any evaluation of how to used CDBG-DR funds to overcome impediments to fair housing, but cannot substitute a local AI for the disaster area AI and should be cautious about using existing documents as many are not in compliance with HUD’s current Fair Housing guidance.

*TDHCA Staff Response: Staff agrees and will make the edits to delete existing language and replace with the suggested language in the General Guidelines.*

**Comment #177:**
As an alternative, we suggest that the statement (by affidavit or otherwise) create a rebuttable presumption that the damage occurred during Hurricane Dolly or Ike. If there is no evidence rebutting this statement, from the inspection or other sources, the applicant has demonstrated that the damage or destruction to structures was a direct result of Hurricane Dolly or Ike. Additional information, in the form of media reports, applications for assistance immediately following the disaster, contemporaneous pictures, etc. could be used to supplement an individual applicant's statement or to resolve a dispute or appeal.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. There are provisions to allow alternative documentation to support storm damage when inspections are not adequate to differentiate between the causes of damage.*

**Comment #178:**
We recommend that the reference to "deferred maintenance" be deleted from 3 because the term is not official and remains undefined in FEMA regulations and policies, and its intended meaning in this context is unclear.

> *TDHCA Staff Response: Staff agrees and will make the suggested edit.*

**Comment #179:**
Non-profit groups in South Texas have suggested that databases run by the Red Cross or other non-profits that provide assistance following a disaster might be another source of information about damage and needs at the time of the Hurricanes.

> *TDHCA Staff Response: Staff agrees and will incorporate documentation from disaster recovery/relief organizations in the General Guidelines as allowable forms of supporting alternative evidence of damage from the hurricanes in the absence of FEMA, SBA or insurance letters and where damage inspections are inconclusive as to the cause of the damage.*

**Comment #180:**
Page 7, VII.c. To conform definitions to HUD policy and ensure that units are appropriately sized, couples should be defined at those living as spouses, whether or not legally married.

> *TDHCA Staff Response: Staff agrees and will make the suggested edit to conform to current HUD policy.*

**Comment #181:**

Page 9-11, IX and X. Sections IX and X should be combined into one section on the Affirmative Marketing Plan.

Suggested language:

**IX. AFFIRMATIVE MARKETING PLAN**

o) Local jurisdictions administering the CDBG Disaster Recovery Program are committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts for the disaster funding will include the following:

p) An Affirmative Marketing Plan, based on the U.S. Department of Housing and Urban Development (HUD) regulations, will be submitted to TDHCA for approval. The plan must outline the policies and procedures for housing activities. Procedures are established to affirmatively market units financed through the Program. The procedures cover dissemination of information, technical assistance to applicants, project management, reporting requirements, and project review.

q) The goal is to ensure that, eligible persons from all racial, ethnic, national origin, religious, familial status, the disabled, “special needs,” gender groups, and for each project or program, the populations least likely to apply, are:

- Fully informed of vacant units available for sale and / or rent.
- Encouraged to apply for purchase, rehabilitation, and / or rent.
- Given the opportunity to buy and / or rent the unit of their choice.
- Given the opportunity to rehabilitate their primary residence, which sustained damages due to Hurricanes Dolly or Ike and / or its after-effects.

r) Program participants will be informed about available opportunities and supporting requirements via counselors, printed and electronic materials, publications, direct contact, workshops/seminars, and through the placement of flyers/posters in public facilities. Particular emphasis should be focused on successful outreach to LMI areas and those communities with minority concentrations that were affected by the disaster.

s) In addition to marketing through widely available media outlets, efforts may be taken to affirmatively market the CDBG Disaster Recovery Program as follows:

- Advertise with the local media outlets, including newspapers and broadcast media, which provide unique access for persons who are considered members of a protected class under the Fair Housing Act
- Include flyers in utility and tax bills advertising the Program.
- Reach out to public or non-profit organizations and hold/attend community meetings.
- Other forms of outreach tailored to reaching the eligible population, including door to door outreach if necessary.

t) Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process.

u) In addition, measures will be taken to make the Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing sign language assistance when requested, and providing special assistance for those who are visually impaired when requested. Subrecipients should include outreach to assisted living and other similar facilities in the area.

v) Applications and forms will be offered in English and other languages prevailing in the region. In addition every effort will be made to assist such applicants in the application process

w) Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained and made available to the public upon request.

x) The [Subrecipient] will be required to use the Fair Housing logo in Program advertising, post Fair Housing posters and related information, and, in general, inform the public of its rights under Fair Housing law.

y) Multifamily rental programs must develop an Affirmative Marketing Plan for each development receiving CDBG Disaster Recovery funding. The plan, pursuant to federal regulations, will outline strategies to inform the public about the housing opportunities, requirements/practices that the owner must adhere to in executing the Affirmative Marketing Plan, procedures that will be followed in soliciting applications, and a description of records that will be maintained and made available for review. Notice to Public Housing Authorities in the region in order to inform households on DHAP that permanent housing is available should be part of the Plan.

z) Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity identified in the Needs Assessment. Evaluation should be an ongoing process and begin no later than one month after the program begins accepting applications. TDHCA should review these reports before the subrecipient begins qualifying applicants, and periodically thereafter.

*TDHCA Staff Response: Staff agrees and will edit the guidelines as suggested with the exception of not including the requirement for the subrecipient to conduct outreach to assisted living facilities.*

**Comment #182:**
Page 11, XI.a. To the extent possible, specific reporting requirements should be included in the Housing Guidelines in order to help subrecipients with Program Design and create a comprehensive set of guidelines. These guidelines should be amended to include reporting requirements and procedures as they are ready for publication.

*TDHCA Staff Response: Staff understands the concern and will include additional information concerning the data collection required by the Conciliation Agreement for reporting on Affirmatively Furthering Fair Housing; however, the Reporting Requirements Section of the contract between TDHCA and the subrecipient will provide greater detail regarding reporting requirements.*

**Comment #182:**
Page 11, XIII. Subrecipients must not only submit a plan for Section 3 compliance, but must periodically report on their goals and compliance.

*TDHCA Staff Response: Staff agrees and will reference Section 3 reporting in the guidelines; however, Section 3 reporting requirements will be included in greater detail in the contract between TDHCA and the subrecipient.*

**Comment #183:**
Page 13, XVI.d. Subrecipients should provide TDHCA with a copy of the complaint within the same time frame that complainants are sent acknowledgement of receipt.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the guidelines. The language requiring the subrecipient to provide TDHCA a copy of* *any letter denying an appeal or dismissing a complaint is already included in the general guidelines.*

**Comment #184:**
Page 13- 14, XVII. <u>Suggested language:</u>

[Subrecipient] received $XXXX in disaster recovery funds to help local residents of the community with the efforts to recover from the effects of Hurricanes Dolly or Ike. [Subrecipient] may choose which programs and activities they will offer to their communities; however, the [Subrecipient] will be required to justify how the activities selected meet the needs of the community in a way that affirmatively further fair housing and demonstrate compliance with civil rights. A sample chart for recording housing activities selected and the allocation of funds to those activities is provided below.

*TDHCA Staff Response: Staff agrees and will incorporate the phrase "meet the needs of the community in a way that…" into the General Guidelines.*

**Part B – Homeowner Opportunity Program**

**Comment #185:**
Page 15, ¶2. Subrecipients must provide counseling to income-qualified applicants living in a FEMA-designated "High Risk" area or area of high minority and/or poverty concentration (as determined by TDHCA) and extend the opportunity to participate in HOP.

*TDHCA Staff Response: Staff agrees and will replace the existing paragraph in its entirety with the suggested language.*

**Comment #186:**
Page 15, ¶3. Clarify that the term "voluntary path" refers to the choice available to homeowners.

*TDHCA Staff Response: Staff agrees and will add the phrase "for the applicant" to clarify the sentence.*

**Comment #187:**
Page 15, ¶4. Subrecipients must provide housing benefits consistent with a Needs Assessment for their jurisdiction as well as consistent with these guidelines. For example, if the area's Needs Assessment shows that 50% of housing need is for rental housing, the subrecipient cannot devote 75% of housing assistance to owner-occupied assistance. Similarly, providing homebuyer assistance if the need for reconstruction or rehabilitation has not been met would be inconsistent with the Housing Guidelines.

*TDHCA Staff Response: Staff agrees and will edit the guidelines to clarify that subrecipients must develop activities consistent with the indications of the needs assessment and the guidelines.*

**Comment #188:**
Page 15, I. The obligation to affirmatively further fair housing belongs to the subrecipient and/or other governmental entities administering CDBG-DR funds. Individual homeowners eligible for HOP should not be receiving guidance on "affirmatively furthering fair housing," they should be receiving assistance determining and evaluating their individual housing options. Such

assistance is not optional and must be provided. Subsections a) and b) should be eliminated and subsection c) should read as follows:

> Applicants determined to be eligible for participation in the HOP will receive counseling and professional real estate services to provide guidance on their housing options.

Counselors should make contact with applicants within 5 days of being assigned the file.

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to include the suggested language; however, staff believes that the suggested time limitation for contact is too restrictive and will be modified to 10 days.*

**Comment #189:**
Page 16, II.d. Eligible applicants must be relocated to higher opportunity areas. Additional guidance on this requirement may be required.

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to include the suggested language.*

**Comment #190:**
Page 16, III.a. <u>Suggested Language:</u>

e) The HOP Homebuyer Assistance program will include the cost of professional services. Examples include real estate agents to provide guidance, including the opportunity to visit neighborhoods and properties, to applicants about lots or homes that are available in higher opportunity areas of the community with less concentrated areas of poverty and/or minority population. Professionals must receive training as mandated by the State in order to be certified eligible to participate in this program.

> *TDHCA Staff Response: Staff agrees and will incorporate the suggested language.*

**Comment #191:**
Page 16, IV. The State should develop standardized documentation for all the programs covered by these guidelines, including informed consent documentation. Requiring subrecipients to draft forms will result in the same delays and lack of equity that these guidelines were intended to forestall, and will unnecessarily burden subrecipients who want to focus on determining eligibility and getting people back into homes.

> *TDHCA Staff Response: Staff agrees and will develop standardized documentation, including informed consent forms, for utilization by the subrecipients. Edits will be made to the guidelines to make this obligation clear.*

**Comment #192:**
Page 17, V.e.a. Eligible applicants who are unable to resolve title issues within one year of the application date may still qualify for regular homebuyer assistance (up to $40,000). Assistance to repair or rebuild the existing home is also available.

> *TDHCA Staff Response: Staff agrees and will add the sentence "Assistance to rehabilitate or reconstruct the original home **may** also still be available."*

**Attachment A: Hurricanes Dolly and Ike Single family Homeowner Program Guidelines**

**Comment #193:**

Page 1, I.D. All activities must be consistent with subrecipients obligation to proportionally assist beneficiaries based on income and tenure.

*TDHCA Staff Response: Staff agrees and will and language to the Homeowner Guidelines to emphasize the subrecipients' obligation to proportionally assist beneficiaries based upon the results of the needs assessments.*

**Comment #194:**
Page 1, II.A. This paragraph is confusing and unnecessary. The State and all subrecipients are obligated to use funds in a way that affirmatively furthers fair housing under federal law. This requirement applies to all federal housing and community development funds – recipients must give consideration to affirmatively further fair housing under all circumstances, not "where appropriate."

*TDHCA Staff Response: Staff agrees and will edit the guidelines to clarify the obligation.*

**Comment #195:**
Page 2, III.A. The Needs Assessment will determine the areas, populations, and types of housing most impacted by the storms, not solely geographic areas. **The Needs Assessment will be used to determine the activities to be offered to meet the types of housing need experienced by the affected populations.** Because of the central role of the Needs Assessment in Program Design, these guidelines should include more specific detail on what issues and data the Needs Assessment must cover, including proportions of rental housing need to owner-occupied housing need as well as demographics of the affected population.

*TDHCA Staff Response: Staff agrees and will add language to clarify the obligation; however, staff will provide technical assistance and written guidance separate from the guidelines to deliver more specific detail, including proportions of one activity versus another, to the subrecipients.*

**Comment #196**
Page 2, III ¶4. The first two sentences of the paragraph entitled "Priorities for Evaluating Applicants" are unnecessary and should be eliminated.

*TDHCA Staff Response: Staff agrees and will make the edits as suggested.*

**Comment #197:**
Page 2, III¶5.
<u>Suggested language:</u>

> All eligible applicants must be evaluated in order to establish the priority of funds within the above-referenced economic subgroups. Each subgroup must be funded at the levels indicated by the Needs Assessment and analysis, although the subrecipient may fund the lowest income households at a level in excess of their percentage of need. The intention is to incorporate both the family and dwelling characteristics of applicants in order to establish a system that gives the households that are less able to address need without public assistance a higher priority. The following household characteristics indicate a funding priority within the economic subgroups:

1. **Disability.** If one or more members of a household have a documented disability that affects the design of the assisted unit, that household will be given priority within their income subgroup.
2. **Age.** If one or more members of a household are less than 18 years of age, or 62 years of age or older, and has a lower AMFI.

*TDHCA Staff Response: Staff agrees and will make the edits as suggested.*

**Comment #198:**
Page 3, III. Anyone who inquires about the program will be given a TDHCA application package to complete; they do not have to specifically request the application.

Subrecipients in areas with large populations of LEP applicants should seek out counselors fluent in the appropriate languages.

*TDHCA Staff Response: Staff agrees and will make the edits as suggested.*

**Comment #199:**
Page 5, #2. The proof of ownership requirements set out in Texas Government Code §2306.188 apply to all federally funded disaster recovery programs, and not to Hurricanes Dolly and Ike Round 2 "alone."

*TDHCA Staff Response: Staff agrees and will make the edits as suggested.*

**Comment #200:**
Page 10, XI.D. Subrecipients should be aware that some local ordinances and zoning may be an impediment to fair housing choice. Jurisdictions should ensure that they have carefully evaluated how local ordinances may affect the program and take steps to address any identified impediments.

Any specific forms and documentation required by the program should be developed and distributed by TDHCA to ensure uniformity and take the burden of forms production off subrecipients.

*TDHCA Staff Response: Staff agrees and will develop standardized documentation and forms.*

**ATTACHMENT B: Hurricanes Dolly and Ike Homebuyer Assistance Program Guidelines**

**Comment #201:**
Page 1, I.E. These requirements are unclear. They appear to be the following:

- A subrecipient may provide Homebuyer Assistance to applicants who were not homeowners at the time of the storm, but only in order to affirmatively further fair housing as defined by the Phase 1 Disaster Area AI.
- Any HBA provided to applicants who are not eligible for HOP must be needs-based as determined by the applicable Needs Assessment and the subrecipient must document that the amount of HBA proposed is actually necessary to accomplish the goal.

*TDHCA Staff Response: Staff understands the confusion and will edit the guidelines for greater clarity.*

**Comment #202:**
Page 2, II.C. The guidelines repeatedly refer to applicants who are "fully eligible" to participate in HOP. This is confusing. Applicants who are eligible for HOP are eligible for the full program; applicants cannot be eligible for part of HOP.

> *TDHCA Staff Response: Staff understands the confusion and will edit the guidelines for greater clarity.*

**Comment #203:**
Page 2, II.C.a. Applicants who can be assisted by the State's title clearing program should be eligible for HOP in addition to applicants who possessed fee simple title at the time of the storms. Title issues disproportionately affect the populations that are intended to benefit from HOP.

> *TDHCA Staff Response: Staff understands the confusion and will edit the guidelines to clarify that applicants who can be assisted by the Title Clearance program are equally eligible to participate in the relocation activity of the HOP as those who possessed fee simple title at the time of the storm, provided that the General Guidelines requirements for ownership and principal residency are demonstrated.*

**Comment #204:**
Page 3, III.B. The terms "FEMA designated High-Risk area" and "100 year floodplain" are used interchangeably in the guidelines. These terms are not interchangeable and the areas described may not be contiguous. FEMA-designated High Risk area is the zone specified in the Conciliation Agreement.

> *TDHCA Staff Response: Staff agrees and will define the term FEMA-designated High Risk area.*

**Comment #205:**
Page 3, VI. If the guidelines define which applicants are eligible for housing programs, it may be unnecessary to include a section attempting to define ineligible beneficiaries.

> *TDHCA Staff Response: Staff agrees and will make the edit as suggested.*

**Comment #206:**
Page 3, VII.A. The guidelines occasionally use "assistance" and "activities" interchangeably when one or the other is meant. For clarity, this subsection should read: "HBA assistance is capped at $40,000 for non HOP-eligible applicants."

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to assure consistency and accuracy of the noted terms.*

**Comment #207:**
Page 4, VII.B. The General Guidelines specify a cap for "Services" but do not specify allowable costs within that cap. Allowable costs including but not limited to real estate fees, inspection costs, moving expenses, and utility connection costs should be listed in the guidelines.

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to include examples of services.*

**ATTACHEMENT C – Hurricanes Dolly and Ike Rental Program Guidelines**

**Comment #208:**
Page 2, III.B. Rental Program activities will be offered as a housing program to residents of the subrecipient's jurisdiction as required by the housing needs identified in the jurisdiction's Needs Assessment. Units must be restricted to ensure affordability for very low and low-income households as well as moderate-income households.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff does not completely agree. The needs assessments will determine affordable housing needs; however, it will not set rent limits.*

**Comment #209:**
Page 3, II.A. Add language stating that replacement units may be rebuilt in locations other than the original development in order to affirmatively further fair housing.

> *TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. However under HUD rules, a subrecipient may rebuild damaged units in a different location. These units must meet affirmatively furthering fair housing requirements in Round 2 and meet the requirements under the Action Plan and Conciliation Agreement, including the one-for-one replacement requirement where applicable.*

**Comment #210:**
Page 3, II.B. Clarify that the NOFA or application process must comply with IV.A. on page 4.

> *TDHCA Staff Response: Staff agrees and will add language to clarify the requirements.*

**Comment #211:**
Page 4, IV.A. This guideline is not clear about which criteria the NOFA or application must address. Those criteria must include:

- Criteria must direct funds to the needs of the community as determined by the Needs Assessment.
- The use of funds must affirmatively further fair housing and increase housing choice, therefore, selected criteria must be consistent with overcoming impediments identified in the Phase 1 disaster-area AI.

> *TDHCA Staff Response: Staff agrees and will edit the guidelines to clarify the requirements.*

**Comment #212:**
Page 4-5, IV.C. The language of C should be mandatory and not permissive.

Suggested Language:
Criteria developed by the subrecipient to identify projects providing the greatest benefit to the community must include the following:

1. Priority will be given to projects that increase the supply of affordable units by exceeding the requirement to lease 51% of the units to low/moderate income households.

2. Priority will be given to projects that provide units to households with the greatest need for affordable housing by creating set asides targeting extremely low income, very low income, and low and moderate income tenants.
3. Priority will be given to projects that make units available to families and provide units that are single story or otherwise provide access to persons with disabilities.

*TDHCA Staff Response: Staff agrees and will add the suggested language of single story buildings or elevator access as an encouraged selection criteria.*

**Comment #213:**
Page 8, XII.A.2. Suggested language: Consistent with the purpose of providing housing for families at various income levels consistent with the identified needs of the disaster-affected population.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines.*

Jennifer Barclay
**Comment #214:** Rehabilitation Base Unit
In the General Program Guidelines, a base unit has been set for Rehabilitation at $65,000. The discussion at the last meeting of the Housing Taskforce on this subject seemed to indicate that the Rehabilitation base unit would be equal to the Reconstruction/New Construction base unit that will be set by each individual subrecipient. Setting these base units the same allows for a more consistent benefit to be given to all applicants whether they participate in rehabilitation or reconstruction/new construction. The South East Texas Regional Planning Commission (SETRPC) would suggest setting the base units the same.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines as staff believes that there should be a cap on rehabilitation that falls short of the amount of funding available for reconstruction or new construction.*

**Comment #215:** Homeowner Opportunity Program (HOP)
In Part B of the General Program Guidelines, specifically the section covering the Homeowner Opportunity Program, the SETRPC would like to comment on the acquisition and disposal of property. SETRPC has reservations about taking ownership of the property and does not believe that this task is within our working guidelines established by the legislature. We would like to express our opposition to this section as currently structured. If the SETRPC is able to transfer the title to another unit of local government, will subrecipients be required to monitor the end use of the property to ensure that it complies with the CDBG program and HUD guidance.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. The current HUD guidance indicates that the property can be given to a non-profit, local government or similar entity as long as the end use can be identified. If the property is used for homes, they must address the affirmatively furthering fair housing and not re-concentrate poverty or racial minorities that were relocated to provide Fair Housing choice. The subrecipient will have to monitor the end use of the property through the end of the affordability period.*

**Comment #216:** Principle Residency
In the Single Family Homeowner Program Guidelines, there a few items on which the SETRPC would like to comment. Under the Principle Residency Section, SETRPC would like to suggest

adding the allowance of the Affidavit of Principle Residency to be used to show proof of principle residency. This form is being used in the Round I programs.

*TDHCA Staff Response: Staff agrees and will modify the Homeowner Guidelines to allow the Affidavit of Principal Residency.*

**Comment #217:** Demolition
Under the section Types of Assistance Offered, SETRPC would like to request to add Demolition as its own separate category for assistance. SETRPC has used Demolition Only for both Hurricane Rita and Hurricane Ike Round I Recovery.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines. Demolition only is an allowable activity as long as it meets one of the National Objectives.*

**Comment #218:** Forgivable Loan Definition
SETRPC would like to comment on a few items in the Rental Program Guidelines. Throughout the guidelines, the unsecured note is referred to as both a loan and a note. SETRPC would like to suggest that for consistency and to avoid confusion, that the unsecured deferred forgivable note, maintain that name throughout the document.

*TDHCA Staff Response: TDHCA staff agrees with this comment and will ensure conformity and consistency throughout the document.*

**Comment #219:** Maintenance of Flood Insurance Requirement
Under part J of the Property Eligibility Section, SETRPC would like to suggest that the on-going maintenance of flood insurance requirement specify that this is only required where applicable.

*TDHCA Staff Response: TDHCA agrees with this comment and will make this change.*

**Comment #220:** Selection Criteria: Priority of Projects
Under part B 3 of the section on Selection Criteria, a project will be given priority if it has three bedrooms or more. However, part C of the Property Eligibility Section states that dwellings must contain between one and three bedrooms, therefore disallowing properties with more than three bedrooms. SETRPC would suggest revising either statement to allow for this priority.

*TDHCA Staff Response: Staff agrees with this comment and will make changes to the guidelines to allow this priority.*

**Comment #221:** Land use Restriction
Under the section on Land Use Restriction, it is stated in part A that the LURA must contain a ten (10) year affordability period. However, parts B, C, and D all refer to a (5) year affordability period. SETRPC would suggest a revision of either section for consistency.

*TDHCA Staff Response: Staff does not believe that this comment requires a change to the housing guidelines, but where we see inconsistencies it will be corrected. The requirement is ten years for multifamily and five years for single family units.*

<u>John Touchet</u>
**Comment #222**: Section 3

The only mention of Section 3 guidelines that I found appears on page 11 under Federal Procurement requirements. For the sake of clarity, I recommend specifically identifying this "Section 3" with the citation, [24 CFR 135]. This will help reduce ambiguity and avoid leaving the reader wondering, "Section 3 of what?"

These DR guidelines might also mention Section 3 (24CFR135) in the sections that mention environmental review, fair labor standards, affirmative marketing, and reporting requirements.

I also believe that the section referring to Federal Procurement Requirements should cite the CFR or OMB circulars about procurement, as applicable. (e.g.: 24CFR84, 24CFR85, 24CFR5)

> *TDHCA Staff Response: Staff agrees and will add Section 3 and federal procurement requirement citations to the guidelines.*

**DISASTER RECOVERY DIVISION**
**BOARD ACTION REQUEST**
**November 10, 2010**

## Recommended Action

Presentation, Discussion, and Possible Action regarding the Materially Complete Draft of the Phase 1 Analysis of Impediments

**Summary of Request**

Request authority for the Executive Director to submit the AI Committee approved version, with public comments included, of the Phase 1 Analysis of Impediments to Fair Housing to HUD prior to the next scheduled Board meeting.

## Background

The State of Texas is required under the Fair Housing Act to submit an Analysis of Impediments to Fair Housing (AI) to conduct a review of efforts to affirmatively further fair housing. As part of the Conciliation Agreement with the Complainants, we agreed to update our AI in two phases. Phase 1 of the AI will be focused on the areas that were impacted directly by Hurricanes Ike and Dolly and include detailed information about the racial housing patterns of the communities and make suggestion about how to further integrate communities where necessary. Because significant portions of Round 2 funding could not be released until the AI is complete there is a premium on getting a substantially final draft within the 120 days required in the Conciliation Agreement.

TDHCA contracted with Southwest Fair Housing Council based out of Tucson Arizona under an emergency waiver granted by the Governor's office. During the process, the AI committee (required under the Conciliation Agreement) determined that we would need additional help and contracted with Dr. Steve Murdock of Rice University to provide demographics and an analysis of racial housing make up in communities. We anticipate this will cover all 63 counties and most cities with a population of 10,000 or more. In addition, there will be a sample of smaller communities where there is more than one census tract available to provide guidance to that size community on what to look for in making their AFFH review.

TDHCA staff is working with all parties to provide a substantially complete draft document to the committee. It is anticipated that the document will have been made available to the AI Committee for review prior to the Board meeting. Once the committee accepts the document, there will be a 10 day public comment period after the AI Committee determines it meets the requirements of the Conciliation Agreement.

Given that the time required to complete this process is uncertain, staff is requesting permission to submit the AI Committee approved version to HUD for acceptance if the completed and publicly reviewed version is ready prior to the next scheduled Governing Board meeting. We will bring the AI forward at the next meeting for briefing and review the Board after submission, but we do not want to delay the review by HUD so that the balance of Round 2 funds can start to flow as soon as possible.

# REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

## Memorandum

**To:** Michael Gerber

**From:** Gordon Anderson

**cc:** Tim Irvine, Michael Lyttle

**Date:** November 1, 2010

**Re:** TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for the months of September and October 2010. The information provided focuses primarily on activities Executive and staff have taken on voluntarily; however, also included are mandated activities such as TEFRA and tax credit public hearings. This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

221 EAST 11TH ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (800) 525-0657 ▪ (512) 475-3800

# TDHCA Outreach Activities, September-October 2010

*A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public*

| Event | Location | Date | Division | Purpose |
|---|---|---|---|---|
| City of Weimer/Homeowner Rehabilitation Assistance Implementation | Weimer | September 1-3 | HOME | Training |
| Natural Disaster Housing Reconstruction Advisory Committee Community Roundtable | Galveston | September 2 | Executive, Disaster Recovery | Roundtable Hearing |
| First Thursday Income Eligibility Training | Austin | September 2 | Compliance & Asset Oversight | Training |
| Austin Permanent Supportive Housing - Focused Input Session | Austin | September 8 | Housing Resource Center | Participant |
| Mental Health Transformation Workgroup | Austin | September 10 | Housing Resource Center | Participant |
| Council Of State Community Development Agencies Conference | Sacramento, CA | September 12-15 | Office of Colonia Initiatives, Housing Resource Center | Presentation |
| Texas Association of Realtors Annual Conference | Galveston | September 13 | Homeownership | Exhibitor |
| Procurement & Construction Management Training | San Antonio | September 13-14 | HOME | Training |
| First Thursday Income Eligibility Training | Houston | September 14 | Compliance & Asset Oversight | Training |
| Housing Tax Credit Program Training | Houston | September 15 | Compliance & Asset Oversight | Training |
| Asian-American Real Estate Networking/Homebuyer Seminar | Houston | September 15-16 | Homeownership | Presentation |
| Procurement & Construction Management Training | Lubbock | September 15-17 | HOME | Training |
| "United Texas – Housing Initiatives that Work" Realtor Course | Killeen | September 17 | Homeownership | Training |
| Procurement & Construction Management Training | Tyler | September 20-21 | HOME | Training |
| HOME Program Training | Austin | September 21 | Compliance & Asset Oversight | Training |
| City of Paris/Homebuyer Assistance Implementation | Paris | September 22 | HOME | Training |
| Rural Housing Workgroup | Austin | September 22 | Housing Trust Fund | Presentation |
| Texas Apartment Association Physical Inspections Seminar | Austin | September 22 | Compliance & Asset Oversight | Training |
| City of DeKalb/Homeowner Rehabilitation Assistance Implementation | DeKalb | September 23 | HOME | Training |
| City of West Tawakoni/Homeowner Rehabilitation Assistance Implementation | West Tawakoni | September 24 | HOME | Training |
| Manufactured Housing Licensing Education Class | Austin | September 27 | Manufactured Housing | Training |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | Dallas | September 29 | Housing Resource Center | Public Hearing |

| Event | Location | Date | Division | Purpose |
|---|---|---|---|---|
| Disability Advisory Workgroup | Austin | October 1 | Housing Trust Fund, Housing Resource Center | Presentation, Participant |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | Houston | October 1 | Housing Resource Center | Public Hearing |
| 2010 NCSHA Conference | Boston, MA | October 2-5 | Executive, Homeownership, Housing Resource Center, Public Affairs | Presentation, Participant |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | El Paso | October 4 | Housing Resource Center | Public Hearing |
| Housing Tax Credit Program Training | San Antonio | October 5 | Compliance & Asset Oversight | Training |
| Community Resource Coordination Groups | Austin | October 5 | Housing Resource Center | Participant |
| Mental Health Planning Advisory Commission | Austin | October 7 | Housing Resource Center | Participant |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | Brownsville | October 7 | Housing Resource Center | Public Hearing |
| "United Texas – Housing Initiatives that Work" Realtor Course | New Braunfels | October 7 | Homeownership | Training |
| First Thursday Income Eligibility Training | Austin | October 7 | Compliance & Asset Oversight | Training |
| Parker County/Tenant Based Rental Assistance Implementation | Springtown | October 11-12 | HOME | Training |
| Neighborhood Stabilization Program Training for Nonprofits | Austin | October 12 | NSP | Training |
| Grand Opening/ Woodmont Apartments | Fort Worth | October 13 | Multifamily Finance | Remarks, Participant |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | Midland | October 13 | Housing Resource Center | Public Hearing |
| Houston Association of Realtors Expo | Houston | October 14 | Homeownership | Exhibitor |
| 2010 State of Texas Public Hearings on Affordable Housing & Community Development Activities | Austin | October 15 | Housing Resource Center | Public Hearing |
| Fair Housing Conference | Austin | October 15 | Housing Trust Fund | Participant |
| Texas Association of Builders/Sunbelt Show | Grapevine | October 15 | Executive | Presentation |
| Texas Foreclosure Prevention Task Force Quarterly Meeting | Dallas | October 19 | Homeownership | Participant |
| Community Action Association of Region VI Conference | Austin | October 20-21 | Executive, Community Affairs | Remarks, Presentation |
| Groundbreaking/ Wildflower Terrace Apartments | Austin | October 20 | Executive, Public Affairs | Remarks, Participant |
| Wells Fargo Realtor Seminar | Dallas | October 21 | Homeownership | Presentation |
| Wells Fargo Realtor Seminar | Fort Worth | October 21 | Homeownership | Presentation |
| Promoting Independence Advisory Committee | Austin | October 21 | Housing Resource Center | Participant |
| Reentry Task Force Committee | Austin | October 21 | Housing Resource Center | Participant |

| Event | Location | Date | Division | Purpose |
|---|---|---|---|---|
| Grand Opening / Premier on Woodfair Apartments | Houston | October 21 | Public Affairs | Remarks, Participant |
| Comptroller of Public Accounts State Procurement and Contracting Law Seminar | Austin | October 21 | Purchasing | Presentation |
| City of Texarkana/Homeowner Rehabilitation & Homebuyer Assistance Implementation | Texarkana | October 25-26 | HOME | Training |
| City of Martindale/ Homeowner Rehabilitation Assistance Implementation | Martindale | October 26 | HOME | Training |
| Housing Tax Credit Program Training | El Paso | October 27 | Compliance & Asset Oversight | Training |
| Austin Board of Realtor's "Realty Round Up" | Austin | October 27 | Homeownership | Exhibitor |
| Grand Opening/2424 Sakowitz SRO | Houston | October 28 | Executive | Remarks, Participant |
| Grand Opening/ Southern View Apartments | Fort Stockton | October 28 | Public Affairs | Remarks, Participant |
| "United Texas – Housing Initiatives that Work" Realtor Course | Plano | October 29 | Homeownership | Training |

## *Rebuilding Texas*: Disaster Recovery from Hurricanes Rita and Katrina

### ***Hurricane Rita First Supplemental ($74.5 million) - Public Law 109-148***

Referred to as Round I, these funds represent the first of two awards to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. These funds are administered by regional Council of Governments.

**Construction Activities as of November 2, 2010**

- 531 single family homes rehabilitated or reconstructed

**Financial Summary**

| | Current Budget | Admin $ Drawn To Date | Project $ Drawn To Date | Total Drawn | % of Funds Drawn |
|---|---|---|---|---|---|
| DETCOG | $6,674,546.00 | $674,361.00 | $6,000,185.00 | $6,674,546.00 | 100.00% |
| H-GAC | $6,657,096.00 | $928,253.75 | $5,447,466.38 | $6,375,720.13 | 93.78% |
| SETRPC | $27,421,536.00 | $3,247,507.11 | $22,607,236.66 | $25,854,743.77 | 94.29% |
| **Totals** | **$40,753,178.00** | **$4,850,121.86** | **$34,054,888.04** | **$38,905,009.90** | **95.46%** |

### ***Hurricanes Rita and Katrina 2nd Supplemental ($428.6 million) - Public Law 109-234***

The 2nd Supplemental is referred to as Round II and is the second allocation of CDBG funding to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. These funds also address needs of Katrina evacuees in Houston and Harris County.

**Construction Activities as of November 2, 2010**

**Homeowner Program**

- 2213 homes rehabilitated or reconstructed
- 167 homes currently under construction

**Rental Program**

- 1,180 rental units have been rehabilitated or reconstructed
- 958 rental units are currently under construction

**Financial Summary**

| | Current Budget | Cumulative Expenditures | Balance Remaining | Percentage Expended |
|---|---|---|---|---|
| **Homeowner Assistance Program (HAP)** | $210,371,273.00 | $184,077,682.32 | $26,293590.68 | 87.50% |
| **Sabine Pass Restoration Program (SPRP)** | $12,000,000.00 | $9,139,792.87 | $2,860,207.13 | 76.16% |
| **Rental Housing Stock Restoration Program (RHSRP)** | $82,779,333.00 | $80,331,079.63 | $2,448,253.37 | 97.04 % |
| **City of Houston** | $41,500,000.00 | $32,134,398.28 | $9,365,601.72 | 77.43% |
| **Harris County** | $20,000,000.00 | $11,845,703.24 | $8,154,296.76 | 59.23% |
| **Restoration of Critical Infrastructure Program (TDRA)** | $42,000,000.00 | $33,812,305.95 | $8,187,694.05 | 80.51% |
| **State Administrative Funds (Admin Funds)** | $19,933,592.00 | $12,506,099.36 | $7,427,492.64 | 62.74% |
| **Grand Total** | **$428,584,198.00** | **$363,847,061.65** | **$64,737,136.35** | **84.90%** |

***Hurricane Ike and Dolly First Supplemental Appropriation ($1.3 billion) Public Law 110-329***

The Texas Department of Housing and Community Affairs (Department/TDHCA) has awarded $621,448,377 for housing activities related to CDBG Disaster Recovery Funding in the hurricane impacted areas with reported housing damage. This funding is comprised of $562,613,464 that has been awarded to 18 Subrecipients and $59,926,832 for rental set-aside.

**Construction Activities as of November 2, 2010**

**Rental Program**

- Over $59 million has been awarded to 13 multifamily developments in the hurricane impacted areas.
- 1,857 rental units are anticipated to be rehabilitated or reconstructed by the Ike awardees; 76 rental units are anticipated in the Dolly area.

**Subrecipient Program**

- Eight of the 18 Subrecipients have projects underway, including assistance to 255 homebuyers and approval for repairs to 46 homes.

**Financial Summary**

| Subrecipient Awards | Current Budget | Cumulative Expenditures | Balance Remaining | Percentage Expended |
|---|---|---|---|---|
| **City of Galveston** | $160,432,233.00 | $2,417,982.42 | $158,014,250.58 | 1.51% |
| **Galveston County** | $99,503,498.00 | $5,684,948.00 | $93,318,550 | 5.71% |
| **South East Texas Regional Planning Commission** | $95,000,000.00 | $1,022,103.52 | $93,977,896.48 | 1.08% |
| **City of Houston** | $87,256,565.00 | $23,816,607.54 | $63,439,957.46 | 27.29% |
| **Harris County** | $56,277,229.00 | $5,390,342.90 | $50,886,886.10 | 9.58% |
| **Houston-Galveston Area Council of Governments** | $11,076,980.00 | $0.00 | $11,076,980.00 | 0.00% |
| **Liberty County** | $8,878,923.00 | $0.00 | $8,878,923.00 | 0.00% |
| **Montgomery County** | $6,909,237.00 | $188,609.29 | $6,720,627.71 | 2.73% |
| **Deep East Texas Council of Governments** | $5,931,070.00 | $187,317.73 | $5,743,752.27 | 3.16% |
| **Cameron County** | $3,093,750.00 | $0.00 | $3,450,000.00 | 0.00% |
| **Hidalgo County** | $2,000,000.00 | $104,014.15 | $1,895,985.85 | 5.20% |
| **City of Brownsville** | $1,635,318.00 | $0.00 | $1,635,318.00 | 0.00% |
| **Fort Bend County** | $1,582,107.00 | $19,479.00 | $1,562,628.00 | 1.23% |
| **Brazos Valley Affordable Housing Corporation** | $948,930.00 | $0.00 | $1,425,868.00 | 0.00% |
| **Willacy County** | $ 541,287.00 | $0.00 | $948,930.00 | 0.00% |
| **East Texas Council of Governments (ETCOG)** | $ 415,117.00 | $19,055.55 | $396,061.45 | 4.59% |
| **City of Mission** | $ 209,638.00 | $25,812.14 | $183,825.86 | 12.31% |
| **Chambers County** | $ 20,921,582.00 | $0.00 | $20,921,582.00 | 0.00% |
| **Total:** | **$562,613,464.00** | **$38,876,272.24** | **$523,737,191.76** | **6.91%** |

## FEMA Alternative Housing Pilot Program

The Disaster Recovery Division is responsible for administration of the Federal Emergency Management Agency (FEMA) award of $16,471,725 for the Alternative Housing Pilot Program (AHPP). The purpose of the AHPP is multi-faceted, including testing alternative housing types that can be quickly constructed in areas of disaster, exploring housing types that are readily accepted in communities, and testing the energy efficiency components. The AHPP program provides assistance to those with on-going housing needs due to Hurricane Katrina or Rita. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

The Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population.

On July 31, 2009, TDHCA issued a notice of contract termination to the Heston Group for failure to provide sufficient responses to the requests outlined in the default notices issued on May 12, 2009 and June 25, 2009. The Department is currently working with the Heston Group as well as with their legal representation to build a transition to close out the contract. As a result of the contract termination, the Department has posted a Request for Proposal (RFP) for a contractor to complete the remaining portion of the program. The response deadline for the RFP was March 1, 2010 in order to allow more time to coordinate with the City of Houston (the City) with regard to the logistics of the group site.

Following an extended negotiation and planning period with the City, the City and TDHCA have decided not to pursue the group site application of AHPP any further due to the difficulty the City has encountered with locating the funding necessary for the currently approved group site.

Due to the difficultly encountered with the City’s group site and the decision to remove the City from the program, the previously posted Request for Proposals (RFP) to solicit the participation of a replacement contractor for the Heston Group to install the AHPP units on the group site has been cancelled.

TDHCA sent a notification of plans to close out the grant to FEMA at the request of FEMA HQ AHPP staff on Friday, August 6, 2010. TDHCA received directions from FEMA Grants Management on August 31, 2010 to conduct an assessment of the grant funds necessary to finalize close out activities and close out the grant and to submit that final grant draw down amount to the FEMA Grants Management Office for review.

The Texas Facilities Commission, with the assistance of TDHCA program staff, posted the surplus AHPP inventory on their website on October 4, 2010 and will continue to post it in ten day increments until there is an interested and qualified non-profit to receive the inventory.