

BOARD MEETING OF AUGUST 19, 2005

Beth Anderson, Chair

C. Kent Conine, Vice-Chair



Patrick R. Gordon, Member

Vidal Gonzalez, Member

Shadrick Bogany, Member

Norberto Salinas, Member

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

AUGUST 19, 2005

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Gordon, Patrick, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

MISSION

***TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS***

***TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY
OF LIFE THROUGH THE DEVELOPMENT OF BETTER
COMMUNITIES***

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, 4th Floor Board Room, Austin, Texas 78701
Friday, August 19, 2005 9:45 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Elizabeth Anderson
Chair of Board

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.

The Board is anticipating taking a lunch recess at 11:30 a.m. and will reconvene at approximately 1:45 p.m.

Recognition of Delores Groneck, Board Secretary

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

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of June 27, 2005, July 14, 2005 Elizabeth Anderson

Item 2 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: Elizabeth Anderson

- a) Housing Tax Credit Extensions for Construction Loan Closings for:
 - 04005 Palacio Del Sol, San Antonio, Bexar
 - 04100 O.W. Collins, Port Arthur, Jefferson
 - 04151 Renaissance Courts, Denton, Denton
 - 04157 Samaritan House, Fort Worth, Tarrant

- b) Discussion and Determination on 2005 Housing Tax Credit Appeals
Consistent with §49.17(b)(4)(B) And Any Other Appeals Timely Filed

- c) Discussion on Letter dated June 10, 2005 from Munsch Hardt Kopf & Harr PC to The Honorable Robert Talton, Chairman of Urban Affairs Committee; Edwina Carrington, Executive Director of TDHCA; and Robert C. Kline, Executive Director of the Texas Bond Review Board Concerning Proposed 2006 Low Income Housing Tax Credit Qualified Allocation Plan and Chapter 1372 of the Texas Government Code

- d) Issuance of Determination Notice on Tax-Exempt Bond Transaction with Other Issuer and Award of HOME CHDO Funds:
 - 05419 Sundance Apartments, Texas City, Galveston County, Texas
Southeast Texas HFC is Issuer
(Requested Credit Amount of \$384,894, Requested HOME CHDO Amount of \$1,500,000)

- e) Action on recommendations made following alternative dispute resolution conference held on August 11, 2005 for:
 - 05058 Green Briar Village

- | | | |
|--------|---|---|
| Item 3 | Presentation, Discussion and Possible Approval of Rules to be Published in the <i>Texas Register</i> for Public Comments: | Elizabeth Anderson |
| a) | Housing Tax Credit Program Rules: Proposed Repeal of Title 10, Part 1, Chapter 50 – 2004 Housing Tax Credit Program Qualified Allocation Plan and Rules; and Proposed New Title 10, Part 1, Chapter 50 – 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules | Elizabeth Anderson
Edwina Carrington |
| b) | Home Investment Partnerships Program (HOME) Rules: Proposed Repeal of Title 10, Part 1, Chapter 53 – 2004 HOME Program Rules; Proposed New Title 10, Part 1, Chapter 53 - 2005 HOME Program Rules | Elizabeth Anderson
Edwina Carrington |
| c) | Housing Trust Fund (HTF) Program Rules: Proposed Repeal of Title 10, Part 1, Chapter 51 – 2004 Housing Trust Fund Program Rules; Proposed New Title 10, Part 1, Chapter 51 - 2005 Housing Trust Fund Program Rules | Elizabeth Anderson
Edwina Carrington |
| d) | Real Estate Analysis: Proposed Repeal to Title 10, Part 1, Chapter 1, Subchapter B, Tex. Admin. Code – Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment and Reserve for Replacement Rules and Guidelines and Proposed New § 1.37 | Elizabeth Anderson
Edwina Carrington |
| e) | Compliance Monitoring: Proposed Repeal of Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code – Compliance Monitoring, Section 60.1 Compliance Monitoring Policies and Procedures and Proposed New Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code, Compliance Monitoring, Section 60.1 Compliance Monitoring Policies and Procedures | Elizabeth Anderson
Edwina Carrington |
| Item 4 | Presentation, Discussion and Possible Approval to Publish in the Texas Register To Receive Public Comments for: | Elizabeth Anderson |
| a) | Regional Allocation Formula for Housing Tax Credits and Housing Trust Fund | |
| b) | Affordable Housing Needs Score for Housing Tax Credits and Housing Trust Fund | |
| Item 5 | Presentation, Discussion and Possible Approval of Multifamily Bond Program: | Vidal Gonzalez |
| a) | Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer For: | |
| 1) | Providence at Marine Creek, Fort Worth, Tarrant, Texas, in an Amount Not to Exceed \$15,000,000 and Issuance of a Determination Notice (Requested Amount of \$100,966) | |
| 2) | Waxahachie Senior Apartments, Waxahachie, Ellis, Texas, in an Amount Not to Exceed \$10,100,000 and Issuance of a Determination Notice (Requested Amount of \$442,401) | |
| b) | Selection of Trustees for the Multi-family Bond Program | |
| c) | Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2005
2005-043 Willow Creek Apartments, Tomball, Texas
2005-045 Skyline at City Park, Houston, Texas | |

a) Discussion and Possible Action on Contract for Deed Conversions Recommendations:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested
2005-0208	The Latino Education Project, Incorporated (Corpus Christi)	10	CFD	\$500,000	\$20,000	8
2005-0212	Pecos County	12	CFD	\$500,000	\$20,000	10
2005-0214	El Paso Collaborative for Community and Economic Development	13	CFD	\$500,000	\$20,000	10
2005-0215	The Housing Authority of the City of Del Rio	11	CFD	\$495,000	\$19,800	9
2005-0216	Alianza Para El Desarrollo Comunitario, Inc. (El Paso)	13	CFD	\$495,000	\$19,800	9
				\$2,490,000	\$99,600	46

b) Discussion and Possible Action on Disaster Relief Program Recommendations:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested
DR2005-0001	Wharton County	6	OCC	\$500,000	\$20,000	9
DR2004-0207	Newton County	5	OCC	\$479,000	\$19,160	13
DR2004-0209	Hardin County	5	OCC	\$303,500	\$12,140	5
DR2004-0210	City of Wharton	6	OCC	\$495,000	\$19,800	9
DR2004-0211	City of El Campo	6	OCC	\$500,000	\$20,000	9
				\$2,277,500	\$ 91,100	45

c) Presentation, discussion and possible approval of 2005 Single Family HOME Investment Partnerships Program Recommendations:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested	
2005-0008	Christian Community Action	3	Urban/Ex urban	500,000.00	76.00	\$500,000.00	41
2005-0015	Tri-County MHMR Services	6	Urban/Ex urban	500,000.00	90.66	\$343,209.00	34
2005-0141	Affordable Housing of Parker County, Inc.	3	Rural	494,232.00	78.00	\$217,857.00	15
2005-0035	Housing Authority of Frisco	3	Urban/Ex urban	250,000.00	73.00	\$205,265.00	22
2005-0087	Buckner Children & Family Services	5	Rural	200,000.00	88.50	\$200,000.00	20
2005-0014	Tri-County MHMR Services	6	Rural	250,000.00	91.00	\$165,249.00	17
2005-0191	Bluebonnet Trails Community MHMR Center	7	Rural	450,000.00	90.00	\$106,154.00	11
2005-0194	Bluebonnet Trails Community MHMR Center	7	Urban/Ex urban	450,000.00	90.00	\$101,178.00	11
2005-0199	Marble Falls Housing Authority	9	Rural	500,000.00	77.00	\$97,601.00	3
2005-0113	El Paso Community Action Program	13	Urban/Ex urban	193,666.00	62.33	\$93,793.00	10
2005-0005	Burke Center	5	Rural	491,375.00	66.66	\$62,907.00	6
2005-0195	Bluebonnet Trails Community MHMR Center	9	Rural	50,000.00	91.00	\$50,000.00	5
2005-0196	Bluebonnet Trails Community MHMR Center	9	Urban/Ex urban	50,000.00	91.00	\$50,000.00	5
2005-0213	Alpha Concepts, Inc.	5	Urban/Ex urban	45,216.00	83.00	\$43,155.00	4

2005-0006	Ellis Townhomes, Inc.	9	Urban/Ex urban	TBRA	500,000.00	82.00	\$29,477.00	3
2005-0041	City of McKinney	3	Urban/Ex urban	OCC	500,000.00	77.00	\$500,000.00	10
2005-0056	City of Groesbeck	8	Rural	OCC	500,000.00	94.00	\$500,000.00	9
2005-0067	CDC of Brownsville	11	Urban/Ex urban	OCC	500,000.00	67.50	\$500,000.00	10
2005-0081	City of San Benito	11	Urban/Ex urban	OCC	500,000.00	78.00	\$500,000.00	16
2005-0096	City of Venus	3	Rural	OCC	500,000.00	96.00	\$500,000.00	9
2005-0098	City of Splendor	6	Rural	OCC	500,000.00	97.00	\$500,000.00	9
2005-0114	Laredo-Webb N'hood Housing Services, Inc.	11	Rural	OCC	495,000.00	81.00	\$495,000.00	9
2005-0144	City of Taft	10	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0145	City of Amherst	1	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0147	City of Nome	5	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0148	City of Turkey	1	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0150	City of Lone Oak	3	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0151	City of Malakoff	4	Rural	OCC	495,000.00	96.00	\$495,000.00	9
2005-0152	City of Kemp	3	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0153	City of Berryville	4	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0155	City of Princeton	3	Urban/Ex urban	OCC	495,000.00	86.00	\$495,000.00	9
2005-0156	City of Bronte	12	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0159	Institute of Rural Development	3	Urban/Ex urban	OCC	495,000.00	78.00	\$495,000.00	9
2005-0162	City of Hitchcock	6	Urban/Ex urban	OCC	495,000.00	83.00	\$495,000.00	9
2005-0163	City of Bells	3	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0164	City of Bandera	9	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0167	City of Miles	2	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0172	City of Garrison	5	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0173	City of Odem	10	Rural	OCC	495,000.00	96.00	\$495,000.00	9
2005-0174	City of Rising Star	2	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0184	City of Van	4	Rural	OCC	495,000.00	94.00	\$495,000.00	9
2005-0186	City of El Cenizo	11	Rural	OCC	495,000.00	92.00	\$495,000.00	9
2005-0187	City of Asherton	11	Rural	OCC	495,000.00	96.00	\$495,000.00	9
2005-0189	City of Wickett	12	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0190	City of Carrizo Springs	11	Rural	OCC	495,000.00	90.00	\$495,000.00	9
2005-0192	City of Encinal	11	Rural	OCC	495,000.00	87.00	\$495,000.00	9
2005-0200	Housing Authority of the City of Cyrstal City	11	Rural	OCC	495,000.00	81.00	\$495,000.00	9
2005-0028	City of Nash	4	Urban/Ex urban	OCC	495,000.00	93.00	\$492,463.00	9
2005-0178	City of Marble Falls	7	Rural	OCC	500,000.00	95.00	\$424,616.00	8
2005-0083	City of San Marcos	7	Urban/Ex urban	OCC	500,000.00	72.00	\$404,712.00	8
2005-0097	City of Willis	6	Rural	OCC	500,000.00	95.00	\$396,397.00	7
2005-0149	Wharton County	6	Rural	OCC	495,000.00	95.00	\$392,433.00	7
2005-0175	City of Yoakum	10	Rural	OCC	500,000.00	92.00	\$364,039.00	7
2005-0007	City of New Braunfels	9	Urban/Ex urban	OCC	500,000.00	77.00	\$317,909.00	16
2005-0169	City of Ingleside	10	Urban/Ex urban	OCC	275,000.00	92.00	\$275,000.00	5
2005-0055	City of Whitney	8	Rural	OCC	500,000.00	93.00	\$266,675.00	5
2005-0036	Ebenz Inc.	6	Urban/Ex urban	OCC	250,000.00	65.50	\$250,000.00	5
2005-0115	City of Bellmead	8	Urban/Ex urban	OCC	250,000.00	90.00	\$245,304.00	5
2005-0137	City of Center	5	Rural	OCC	300,000.00	92.00	\$234,247.00	5

2005-0020	City of DeKalb	4	Rural	OCC	495,000.00	93.00	\$223,683.00	4
2005-0127	City of Winnsboro	4	Rural	OCC	495,000.00	93.00	\$223,683.00	4
2005-0161	City of Eustace	4	Rural	OCC	495,000.00	93.00	\$223,683.00	4
2005-0134	City of Corsicana	3	Rural	OCC	200,000.00	94.00	\$200,000.00	4
2005-0119	City of Denver City	1	Rural	OCC	500,000.00	96.00	\$172,286.00	4
2005-0165	City of Plains	1	Rural	OCC	495,000.00	96.00	\$170,564.00	3
2005-0071	City of Midland	12	Urban/Ex urban	OCC	150,000.00	73.00	\$150,000.00	5
2005-0044	City of McCamey	12	Rural	OCC	330,000.00	77.00	\$143,485.00	3
2005-0019	City of Socorro	13	Urban/Ex urban	OCC	255,299.20	89.00	\$132,811.00	3
2005-0021	City of Daingerfield	4	Rural	OCC	275,000.00	93.00	\$124,269.00	3
2005-0157	City of Dell City	13	Rural	OCC	495,000.00	96.00	\$121,180.00	3
2005-0158	Hudspeth County	13	Rural	OCC	495,000.00	96.00	\$121,180.00	3
2005-0170	Kendall County	9	Rural	OCC	495,000.00	91.00	\$95,403.00	2
2005-0139	City of Bogata	4	Rural	OCC	200,000.00	93.00	\$90,377.00	2
2005-0045	City of Stamford	2	Rural	OCC	165,000.00	88.00	\$71,343.00	2
2005-0061	Webb County	11	Rural	OCC	500,000.00	79.00	\$67,559.00	2
2005-0197	La Salle County	11	Rural	OCC	495,000.00	79.00	\$66,884.00	2
2005-0198	City of Roma	11	Rural	OCC	495,000.00	79.00	\$66,884.00	2
2005-0143	City of West Tawakoni	3	Rural	OCC	495,000.00	91.00	\$10,889.00	1
2005-0070	City of Dublin	3	Rural	OCC	300,000.00	91.00	\$6,599.00	1
2005-0037	Community Council of Southwest Texas, Inc.	11	N/A	ADDI	500,000.00	74.50	\$500,000.00	50
2005-0039	Edinburg Housing Authority	11	N/A	ADDI	500,000.00	71.00	\$500,000.00	50
2005-0062	Temple Housing Authority	8	N/A	ADDI	500,000.00	73.66	\$500,000.00	48
2005-0112	Southeast Texas Housing Finance Corporation	6	N/A	ADDI	500,000.00	70.13	\$500,000.00	60
2005-0168	City of Mexia	8	N/A	ADDI	500,000.00	76.00	\$500,000.00	50
2005-0140	City of Los Fresnos	11	N/A	ADDI	450,000.00	68.00	\$450,000.00	45
2005-0182	El Paso Collaborative for Comm. and Econ. Dev.	13	N/A	ADDI	450,000.00	92.00	\$450,000.00	50
2005-0002	FUTURO Communities, Incorporated	11	N/A	ADDI	300,000.00	75.00	\$300,000.00	30
2005-0082	City of San Benito	11	N/A	ADDI	300,000.00	86.00	\$300,000.00	30
2005-0120	El Desarrollo Comunitario Incorporated	13	N/A	ADDI	300,000.00	83.00	\$300,000.00	30
2005-0142	Travis County Housing Finance Corporation	7	N/A	ADDI	214,500.00	75.00	\$214,500.00	30
2005-0054	City of Whitney	8	N/A	ADDI	200,000.00	70.00	\$200,000.00	20
2005-0004	Coto De Casa, Incorporated	11	N/A	ADDI	190,000.00	92.34	\$190,000.00	19
2005-0034	City of Bonham	3	N/A	ADDI	100,000.00	70.00	\$100,000.00	10
2005-0103	City of Commerce	3	N/A	ADDI	100,000.00	72.00	\$100,000.00	10
2005-0203	Kingsville Housing Authority	10	N/A	ADDI	100,000.00	79.00	\$100,000.00	15
2005-0069	La Gloria Development Corporation	11	N/A	ADDI	120,000.00	67.00	\$54,752.00	6
2005-0059	Housing Authority of the City of Beaumont	5	N/A	ADDI	50,000.00	68.67	\$50,000.00	5
2005-0105	City of Mineola	4	N/A	ADDI	100,000.00	67.00	\$45,626.00	5
2005-0086	Midland Habitat for Humanity	12	N/A	ADDI	40,000.00	88.00	\$40,000.00	4

Item 7 Presentation, Discussion and Possible Approval of:

Edwina Carrington

- a) FY 2006 Final Operating Budget
- b) FY 2006 Final Housing Finance Operating Budget

- c) 3rd Quarter Investment Report

Item 8 Presentation, Discussion and Possible Approval of Report from Audit Committee: Shad Bogany

- a) State Auditors Office – An Audit Report on the Housing Trust Fund and HOME Investment Partnerships Programs at TDHCA
- b) Internal Audit Report – Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment
- c) Status of Prior Audit Issues
- d) Status of Central Database
- e) Information Systems User Access Controls – Risk Assessment Results: Status of Action Plans Addressing Inadequately Controlled Risks
- f) Status of Internal/External Audits

Item 9 Presentation, Discussion and Acceptance of Resignation of Board Secretary, Delores Groneck, and Possible Approval of new Board Secretary as of August 31, 2005 Edwina Carrington

EXECUTIVE SESSION

Elizabeth Anderson

- A. The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- B. 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 or to hear a complaint or charge against an officer or employee of TDHCA.
- C. Consultation with Attorney Pursuant to §551.071, Texas Government Code:
1. With Respect to pending litigation styled *Hyperion, et Al v. TDHCA*, filed in State Court
- D. Discussion of charges of discrimination filed with the U.S. Equal Employment Opportunity Commission.

OPEN SESSION

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

- 1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for July 2005
- 2. Summary of DIR's Implementation Plans for Implementation of HB 1516
- 3. Central Database Software License Agreement Between TDHCA and Kentucky Housing Corporation
- 4. Executive Directors Community Affairs Conference in San Antonio in July and Special Recognition Award to Ruth Cedillo from the Community Affairs Division

ADJOURN

Elizabeth Anderson

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 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 Delores Groneck, 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.

EXECUTIVE OFFICE
BOARD ACTION REQUEST
August 19, 2005

Action Item

Board Minutes of June 27, 2005 and July 14, 2005.

Required Action

Review of the minutes of the Board Meetings and make any necessary corrections.

Background

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.

Recommendation

Approve the minutes with any requested corrections.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
William B. Travis Building, Room 1-104, 17th and Congress, Austin, Texas 78701
June 27, 2005 9:30 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of June 27, 2005 was called to order by the Chair of the Board Elizabeth Anderson at 9:40 a.m. It was held at the William B. Travis Building, Room 1-104, Seventeenth and Congress Austin, Texas. Roll call certified a quorum was present.

Members present:

Elizabeth Anderson – Chair
C. Kent Conine -- Vice Chair
Patrick Gordon – Member
Norberto Salinas – Member
Vidal Gonzalez – Member
Shad Bogany – Member

Staff of the Texas Department of Housing and Community Affairs was also present.

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 department staff and motions made by the Board.

Ms. Anderson called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

Ricardo Rodriguez, Mayor Pro-Tem, San Juan, Texas

Mayor Rodriguez asked the Board to support San Juan's application #05241 for the 2005 housing tax credits. Their city has never received any tax credits and 34% of the people live below the poverty level and desperately need this project.

Mike Dunn, Capitol Consultants, Austin, Texas

Mr. Dunn did not give any comments but gave his time to Mr. Eric Opiela.

Belinda Moore, Parker Law Firm, Austin, Texas

Ms. Moore did not give any comments but gave her time to Mr. Eric Opiela.

Eric Opiela, Attorney, Austin, Texas

Mr. Opiela stated he was representing several tax credit housing developers and the Board should be aware that there are major deficiencies in staffs scoring of Quantifiable Community Participation across the state. He felt there was at least one case of misdesignation of an urban development as rural and other questionable practices by developers and consultants in their efforts to gain points for both QCP and local political subdivision leveraging. He felt there are problems throughout the state and must be addressed by the Board to avoid violations of not only the QAP but state law. He asked for fair play for all applicants.

Robert Sherman, Winfield Estates, Roanoke, Texas

Mr. Sherman stated he was in opposition to a development in Texarkana as they have a project in that city and it has the worst lease up that they ever had as the market depth is not there.

The Honorable Armando Martinez, State Representative, Weslaco, Texas

Representative Martinez asked the Board to support Application No. 05241 for the City of San Juan. He stated many residents live below the poverty level and this project is needed.

Stephanie Castro, Resident, San Antonio, Texas

Ms. Castro supported Vista Verde Apartments 1 and 11 for tax credits. This project needs remodeling and needs new stoves, washer and dryers, air conditioning, etc.

David Diaz, Midland Comm. Dev. Corp., Midland, Texas

Mr. Diaz asked that the Board consider #05102, Villa del Arroyo in Region 12 for tax credits. He stated their appeal did not arrive at the offices of TDHCA in time and they were dropped from the top scoring application in their region.

Gary Driggers, Developer, San Antonio, Texas

Mr. Driggers spoke in favor of #05155 in Region 9.

Ike Monty, Developer, Investment Builders, El Paso, Texas

Mr. Monty spoke on Region 13 and stated this region is under funded by over \$750,000 and is the second highest under funded region in the State. He asked staff to review and to process the next highest urban/exurban application, North Mountain Village for funding as El Paso needs this housing desperately.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Board Meeting of May 26, 2005

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the minutes of the Board Meeting of May 26, 2005.

Passed Unanimously

**(2) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:
a) Proposed Housing Tax Credit Amendments for:**

Ms. Carrington stated there are five requests for amendments to existing tax credit awards. Two are 2002 allocations of awards and three are 2004 allocations of awards.

02112 Town Parc, Nacogdoches, Texas

Ms. Carrington stated the developer is requesting to substitute four three-story residential buildings for six two-story residential buildings. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the request to change to substitute the number of residential buildings for Town Park in Nacogdoches, Texas.

Passed Unanimously

04089 Villas of Forest Hill, Texas

Ms. Carrington stated this is a request to increase the number of residential buildings from 13 to 19 as the City of Forest hills has requested that several of the 12 unit buildings be replaced with fourplexes. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to increase the number of residential buildings from 13 to 19 for Villas of Forest Hill, Texas.

Passed Unanimously

02037 Villa Hermosa, Crystal City, Texas

Ms. Carrington stated this is a 2002 tax credit award and they are requesting an amendment that would switch the amount of brick and hardy plant that they would be using on this project. They would be reducing the brick veneer from 65% to 35% and increase the hardy plank from 35% to 65%. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the changes requested for the brick and hardy plank for Villa Hermosa, Crystal City, Texas.
Passed Unanimously

04167 Oxford Place, Houston, Texas

Ms. Carrington stated this was a 2004 award of tax credits and the applicant is requesting the ability to increase the number of public housing units from 200 units to 230 units. The total number of units will be 250. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to increase the number of public housing units to 230 units.
Passed Unanimously

04224 Commons of Grace, Houston, Texas

Ms. Carrington stated this request is for an amendment so that 27 units not be required to be set aside as transitional housing.

Motion made by C. Kent Conine and seconded by Norberto Salinas to table this item to get written communication on this request from Attorney Tony Freedman.
Passed Unanimously

b) Housing Tax Credit Extensions for Construction Loan Closings for:

Ms. Carrington stated that there are 5 requests for extensions for closing of the construction loans.

04036 Villa de Sol, Brownsville, Texas

Ms. Carrington stated they are requesting an extension to September 30, 2005 as they are working with HUD to receive financing and get approval of their property disposition application.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the extension to September 30, 2005 for Villa del Sol in Brownsville, Texas
Passed Unanimously

04037 Las Canteras, Pharr, Texas

Ms. Carrington stated they need additional time to obtain approvals from HUD for their property disposition application, loan terms and partnership documents. They are asking for an extension to September 30, 2005 and staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to grant the extension to September 30, 2005 for Las Canteras in Pharr, Texas.
Passed Unanimously

04058 Spring Oaks Apartments, Balch Springs, Texas

Ms. Carrington stated this development is requesting an extension to September 30, 2005 as they need approval from HUD for the restructuring of a bridge loan.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the extension to September 30, 2005.
Passed Unanimously

04157 Samaritan House Apartments, Ft. Worth, Texas

Ms. Carrington stated this project needs addition to obtain final building permits from the City of Ft. Worth and they are asking for an extension to August 31, 2005. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the extension to August 31, 2005 for Samaritan House Apartments in Ft. Worth, Texas.
Passed Unanimously

04160 Village on Hobbs Road Apts., League City, Texas

Ms. Carrington stated this is a request for an extension until August 31, 2005 to obtain final building permits from the City of League City. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the extension to August 31, 2005 for Village on Hobbs Road Apartments in League City.
Passed Unanimously

c) Board Review of Recommendations of Department Staff and Issuance of Approved Applications from the Following List of all Applications Submitted For the 2005 Housing Tax Credit Competitive Cycle

Project No.	Name	City	Reg.	Credit Amount Requested
05025	Poinsetta Apartments	Alamo	11	\$571,979
05026	Mesa Vista Apartments	Donna	11	\$453,995
05027	Timber Village Apartments	Marshall	4	\$620,359
05028	Sevilla Apartments	Weslaco	11	\$364,252
05029	Cimarron Springs Apartments	Cleburne	3	\$1,185,000
05031	Saddlewood Springs Apartments	Granbury	3	\$499,763
05032	Pineywoods Orange Development	Orange	5	\$436,690
05033	Waterford Parkplace	Longview	4	\$1,045,330
05034	The Gardens of Taylor, LP	Taylor	7	\$280,388
05035	The Gardens of Acton	Granbury	3	\$263,118
05036	Gardens of Burkburnett LP	Burkburnett	2	\$278,608
05000	Snyder Housing Venture, Ltd.	Snyder	2	\$30,658
05001	Mountainview Apartments	Alpine	13	\$66,861
05002	Villa Apartments	Marfa	13	\$32,432
05003	Oasis Apartments	Fort Stockton	12	\$45,024
05004	Samuel's Place	Fort Worth	3	\$274,014
05005	Cambridge Courts	Fort Worth	3	\$1,093,473
05008	Mathis Apartments II	Mathis	10	\$200,000
05009	Stardust Apartments	Uvalde	11	\$200,000
05012	Landa Place	New Braunfels	9	\$657,317
05015	Country Lane Seniors-Greenville Community	Greenville	3	\$1,103,075
05016	Country Lane Seniors-Temple Community	Temple	8	\$889,327
05020	Central Place	Hereford	1	\$280,145
05021	Waterside Court	Houston	6	\$1,054,000
05022	The Enclave	Houston	6	\$524,209
05024	Figueroa Apartments	Robstown	10	\$301,301
05037	Gardens of White	White Oak	4	\$277,794

	Oak LP			
05038	Gardens of Mabank LP	Mabank	3	\$280,540
05039	The Gardens of Tye	Tye	2	\$277,794
05040	Gardens of Gatesville LP	Gatesville	8	\$278,454
05041	San Diego Creek Apartments	Alice	10	\$570,000
05043	San Jose Apartments	San Antonio	9	\$1,200,000
05044	Copperwood Apartments	The Woodlands	6	\$1,058,943
05045	Evergreen at North Richland Hills Senior Apartment	North Richland Hills	3	\$1,200,000
05046	Evergreen at Pecan Hollow Senior Apartment Communi	Murphy	3	\$1,200,000
05047	Evergreen at Rockwall Senior Apartment Community	Rockwall	3	\$800,000
05051	Longview Senior Apartment Community	Longview	4	\$870,000
05053	Essex Gardens Apartments	Sealy	6	\$489,443
05054	Residences at Eastland	Fort Worth	3	\$1,200,000
05057	CityParc at Runyon Springs	Dallas	3	\$992,971
05058	Green Briar Village Apartments	Wichita Falls	2	\$604,349
05060	North Mountain Village	El Paso	13	\$1,103,714
05069	Santa Rosa Village	Santa Rosa	11	\$151,058
05070	Center Ridge	Duncanville	3	\$766,539
05073	Villa San Benito	San Benito	11	\$166,367
05074	Alamo Village	Alamo	11	\$145,370
05076	Villa Main	Port Arthur	5	\$451,323
05077	Sphinx at Alsbury Villas	Burleson	3	\$1,112,442
05079	Rio Hondo Village	Rio Hondo	11	\$137,580
05080	Cambridge Villas	Pflugerville	7	\$1,200,000
05081	Rivercrest Apartments	Marble Falls	7	\$111,136
05082	Sphinx at Luxar	Dallas	3	\$887,230
05084	University Place Apartments	Wharton	6	\$200,633
05085	Pelican Landing Townhomes	Rockport	10	\$695,726
05088	Oak Timbers-Fort Worth South	Fort Worth	3	\$1,200,000
05090	Oak Timbers-Granbury	Granbury	3	\$494,886
05091	Los Milagros Apartments	Weslaco	11	\$1,135,993
05092	Vida Que Canta Apartments	Mission	11	\$953,820
05094	San Juan Village	San Juan	11	\$225,937
05095	Sphinx At Reese Court	Dallas	3	\$597,776
05097	Cathy's Pointe	Amarillo	1	\$757,752
05098	Bella Vista Apartments	Gainesville	3	\$701,332

05099	Madison Pointe	Cotulla	11	\$619,762
05100	Tierra Blanca Apartments	Hereford	1	\$615,000
05101	Creek Crossing Senior Village	Canyon	1	\$394,000
05102	Villa del Arroyo Apartments	Midland	12	\$445,000
05103	Elm Grove Senior Village	Lubbock	1	\$740,000
05104	Landing at Moses Lake	Texas City	6	\$608,000
05105	Zion Village	Houston	6	\$570,200
05108	Kingswood Village	Edinburg	11	\$349,985
05109	Country Village Apartments	San Angelo	12	\$666,473
05113	St. Gerard Apartments	San Benito	11	\$311,941
05114	Copperwood Seniors Apartments	Houston	6	\$518,137
05116	Wahoo Frazier Townhomes	Dallas	3	\$929,611
05117	Key West Village - Phase II	Odessa	12	\$179,585
05118	Vista Verde I & II Apartments	San Antonio	9	\$1,126,771
05119	Las Palmas Garden Apartments	San Antonio	9	\$644,359
05122	Twelve Oaks Apartments	Vidor	5	\$433,832
05124	TownParc at Amarillo	Amarillo	1	\$931,177
05125	La Villita Apartments Phase II	Brownsville	11	\$558,290
05127	Navigation Pointe	Corpus Christi	10	\$800,000
05128	Rhias Oaks Apartments	Mesquite	3	\$1,170,000
05129	First Street Townhomes	Sherman	3	\$316,906
05130	Southpark Apartments	Austin	7	\$955,000
05134	Birdsong Place Villas	Baytown	6	\$740,099
05135	Villas at German Spring	New Braunfels	9	\$741,420
05137	Los Ebanos Apartments	Zapata	11	\$65,042
05140	El Paraiso Apartments	Edcouch	11	\$71,959
05141	The Arbors at Rose Park	Abilene	2	\$647,474
05142	Wesleyan Retirement Homes	Georgetow n	7	\$372,791
05146	Spring Garden V	Springtown	3	\$292,831
05149	Courtland Square Apartments	Odessa	12	\$945,020
05151	Deer Palms	El Paso	13	\$872,495
05152	Linda Vista Apartments	El Paso	13	\$305,000
05153	Mission Palms	San Elizario	13	\$587,915
05155	Canyon's Landing	Poteet	9	\$312,436
05158	The Villas at Costa Almadena	San Antonio	9	\$985,401
05159	San Juan Square	San Antonio	9	\$1,000,000
05160	The Alhambra	San Antonio	9	\$1,000,000
05161	LoneStar Park	Sherman	3	\$739,956

05162	Lodge at Silverdale Apartment Homes	Conroe	6	\$878,261
05163	Timber Pointe Apartment Homes	Lufkin	5	\$578,333
05164	Ridge Pointe Apartments	Killeen	8	\$1,018,060
05165	Lincoln Park Apartments	Houston	6	\$1,200,000
05166	Hampton Port Apartments	Corpus Christi	10	\$438,949
05168	Lakeview Park	Denison	3	\$463,334
05169	Estrella Del Mar	Houston	6	\$1,020,000
05171	Fairway Crossing	Dallas	3	\$1,200,000
05173	Arbor Bend Villas	Fort Worth	3	\$800,000
05177	New Braunfels Gardens	San Antonio	9	\$1,200,000
05178	Tuscany Court Townhomes	Hondo	9	\$58,521
05179	The Villages at Huntsville	Huntsville	6	\$589,000
05180	Crown Pointe	Waco	8	\$794,082
05181	Stone Hearst II	Beaumont	5	\$544,000
05184	Hampton Chase Apartments	Palestine	4	\$577,500
05185	Market Place Apartments	Brownwo d	2	\$523,000
05186	Deer Creek Apartments	Levelland	1	\$496,000
05187	Valley Creek Apartments	Fort Stockton	12	\$382,500
05189	Windvale Park	Corsicana	3	\$564,003
05191	Casa Edcouch	Edcouch	11	\$613,113
05192	Pioneer at Walnut Creek	Austin	7	\$1,038,677
05193	Park Place Apartments	Nacogdoch es	5	\$523,000
05194	Canyon View Apartments	Borger	1	\$382,500
05195	San Gabriel Senior Village	Georgetow n	7	\$785,000
05196	Greens Crossing Senior Village	Houston	6	\$1,000,000
05198	Olive Grove Manor	Houston	6	\$946,000
05199	Southwood Crossing Apartments	Port Arthur	5	\$637,516
05200	Hawthorne Manor	Freeport	6	\$831,875
05203	Aspen Meadows	Angleton	6	\$493,218
05204	Ambassador North Apartments	Houston	6	\$786,076
05205	Villa Bonita Apartments	San Antonio	9	\$1,046,167
05206	Villa Vista Apartments	Grand Prairie	3	\$1,128,452
05207	Parker Lane Seniors Apartments	Austin	7	\$687,984
05209	Providence Place Apartments	Katy	6	\$986,061
05211	Northwest Residential	Georgetow n	7	\$1,088,835
05212	Reed Road Senior Residential	Houston	6	\$1,200,000
05217	Town Park Phase II	Houston	6	\$980,000
05222	Kingwood Senior Village	Houston	6	\$1,068,974
05224	Brookwood Retirement	Victoria	10	\$688,922

	Apartments			
05225	Normangee Apartments	Normangee	8	\$131,703
05226	Lytle Apartments	Lytle	9	\$143,173
05227	West Retirement	West	8	\$166,349
05228	City Oaks Apartments	Johnson City	7	\$165,166
05229	Centerville Plaza	Centerville	8	\$158,059
05230	Coolidge Apartments	Coolidge	8	\$97,372
05231	Kerrville Housing	Kerrville	9	\$292,927
05232	Cibolo Apartments	Cibolo	9	\$340,530
05233	Navasota Manor Apartments	Navasota	8	\$111,973
05234	Park Place Apartments	Bellville	6	\$123,580
05235	Country Square Apartments	Lone Star	4	\$85,394
05236	Clifton Manor Apartments I and II	Clifton	8	\$120,260
05237	Bel Aire Manor Apartments	Brady	12	\$61,169
05238	Hamilton Manor Apartments	Hamilton	8	\$58,476
05239	Bayshore Manor Apartments	Palacios	6	\$169,575
05240	Linbergh Parc Senior Apartments	Fort Worth	3	\$1,200,000
05241	San Juan Apartments	San Juan	11	\$800,000
05242	Renaissance Plaza	Texarkana	4	\$822,571
05243	Villas of Hubbard	Hubbard	8	\$193,215
05244	Blue Ridge Senior Homes	Houston	6	\$1,040,340
05245	Hillside Senior Apartments	Taylor	7	\$262,036
05247	Hacienda Santa Barbara Apartments	Socorro	13	\$120,529
05249	Floresville Square Apartments	Floresville	9	\$126,505
05250	Churchill at Cedars	Dallas	3	\$1,200,000
05251	Joaquin Apartments	Joaquin	5	\$65,824
05252	Saddlecreek Apartments at Kyle II	Kyle	7	\$457,402
05260	Saddlecreek Apartments at Buda	Buda	7	\$862,795

Mc. Carrington stated there are 64 projects being recommended by staff for the 2005 tax credit awards. There are 4 rural rescue applications that the Board previously approved which are taken from the 2005 allocation which makes a total of 68 recommendations for \$35,589,826. All of the applications were submitted within the deadlines related to the QCP. The ceiling for 2005 is \$41,872,030 and staff received a total of 223 pre-applications for requests of a total of \$156,000,000. There were 166 applications received during the application cycle which requested a total of \$100,000,000+.

Scott McGuire, Developer, Austin, Texas

Mr. McGuire stated that #05090 Cambridge Villas Apartments is an independent senior's community to be located in Pflugerville, Texas. It has the full support of State Senator Gonzalo Barrientos, State Rep. Mark Strama, County Commissioner Karen Sonleitner, County Judge Sam Bisco and the City Council of Pflugerville gave its unanimous support for this much needed seniors development.

Ronni Hodges, Tuscany Courts, Austin, Texas

Mr. Hodges spoke on #05178, Tuscany Court in Hondo, Texas and asked for additional tax credits to fund new sewer and water lines.

Ronald C. Anderson, Exec. Director, Housing & Community Services, San Antonio, Texas

Mr. Anderson stated Vista Verde 1 and 11, #05228 has the full support of their residents and the rehab is needed desperately.

At this time Ms. Anderson read a letter into the record from State Rep. Bob Hunter, District No. 71, Abilene, Texas which stated:

"Chair and members, the TDHCA Board, my name is Bob Hunter, State Representative for District 71, which includes the City of Abilene. I'm here today to support the Arbors at Rose Park, TDHCA Number 05141, because this proposed senior housing has wide support from its community. This project has both the endorsement from its neighborhood organization, the Amarillo Highland Neighborhood Association, which provided a letter of support, and the City of Abilene, which on June 9, committed \$281,000 in HOME funds for this worthy project.

"I understand this application is tied in score with the proposed family project in Wichita Falls, but that the Wichita Falls project will win in the tie-breaker because it has requested fewer tax credits basis in net rentable square foot.

"Unfortunately for this project, the formula contained in the tie-breaker favors the family project over the senior project in this case, because the senior project is a smaller net rentable area, but is more costly to build due to extra safety/security features, and a greater number of one- and two-bedroom units. Because it is more costly to build, the senior project has a larger tax credit request spread out over a smaller net rentable area.

"In light of this fact, as well as the fact that Region 2 has two very worthwhile projects, I request the TDHCA Board look favorably on finding additional housing credits to fund both the Abilene and Wichita Falls projects, or in the alternative, consider awarding the Arbors at Rose Park a forward commitment of tax credits. Thank you. I appreciate your time and consideration. Bob Hunter."

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the recommended list for the 2005 housing tax credit competitive cycle as presented by staff.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Norberto Salinas for the reconsideration of a tabled item earlier in this meeting for 02224, Commons of Grace.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the amendment to eliminate the 27 units for transitional housing and this reconsideration is based on a letter that is coming from tax credit counsel Tony Freedman on the project.

Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Multifamily Bond Program:
a) Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2005 (2005 Waiting List)

2005-041 Airport Blvd. Apartments, Houston, Texas

2005-044 Creekside Manor Senior Community, Killeen, Texas

Ms. Carrington stated this is the inducement resolution No. 05038 for Airport Blvd. Apartments in Houston, Texas and Creekside Manor Senior Community in Killeen, Texas. Creekside Manor is an elderly transaction.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve Res. No. 05038 for the inducement of these two projects to be placed on the waiting list at the Bond Review Board.

Passed Unanimously

- b) **Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer For: Prairie Ranch, Grand Prairie, Texas, in an Amount Not to Exceed \$13,000,000 and Issuance of a Determination Notice (Requested Amount of \$495,337 and Recommended Amount of \$495,337)**

Ms. Carrington stated this request is for approval of a multi-family bond transaction with bonds not to exceed \$13,000,000. It is Prairie Ranch Apartments in Grand Prairie and TDHCA is the issuer of bonds and the amount of tax credits is \$495,337.

Hal Thorne, Grand Prairie, Texas

Mr. Thorne stated this project is going to be the best project in the City of Grand Prairie. The construction will be 100% masonry, cultured stone. They have met all of the requirements of zoning and all of the engineering has been completed and approved. This project will be an asset to the city and is a much needed project.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the issuance of multi-family bonds in the amount not to exceed \$13,000,000 and tax credits in the amount of \$495,337 for Prairie Ranch in Grand Prairie, Texas.

Passed Unanimously

- (4) **Presentation, Discussion and Possible Approval of Programmatic Items:**

- a) **Approval of Section 8 Program Public Housing Authority Plan - Five Year Plan and FY 2005 Plan**

Ms. Carrington stated the Department had a public hearing on this plan and also gave residents a chance to give written comments on the plan. The plan is now ready for submission to HUD and staff does recommend approval.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the Section 8 Program Public Housing Authority Plan – Five Year Plan and FY 2005 Plan.

Passed Unanimously

- b) **Approval of Funding Plan for Housing Trust Fund Capacity Building Program**

Ms. Carrington stated this is the approval of the 2005 Housing Trust Fund Capacity Building Program Guidelines or Funding Plan. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the 2005 Funding Plan for the Housing Trust Fund Capacity Building Program.

Passed Unanimously

- c) **HOME Program Appeal for Alpha Concepts, Inc., Orange, Texas**

Ms. Carrington stated this is a request for a HOME/Housing Tax Credit application for 2005 to be reinstated and the appeal is for Alpha Concepts, Inc., in Orange, Texas. They had applied for tenant-based rental assistance in the urban/exurban area of Jefferson County but the application was received on May 2 which was after the deadline of April 29, 2005. The Post Office has stated the error was on their part as they did not deliver the packet on time to TDHCA.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to grant the appeal for Alpha Concepts, Inc., of Orange, Texas.

Passed Unanimously

- d) **Approval of HOME Program Special Contract to the City of Kaufman for Repairs To a HOME Program Participants Residence in the amount of \$50,000 in Program Funds and \$2,000 in Administrative Funds**

Ms. Carrington stated this request is for the approval of a \$52,000 HOME contract for the City of Kaufman to assist one homeowner that has previously been assisted under a former HOME contract. This is a homeowner that rehab was done on their property but they notified the city

that they were having difficulties with the foundation on their property. Staff and HUD are both recommending approval of \$52,000 for repairs.

Motion made by Shad Bogany and seconded by C. Kent Conine to table this item until the next meeting.

Passed Unanimously

e) Approval of Mortgage Credit Certificate Program for First Time Homebuyers

Ms. Carrington stated this is a request for a MCC Program for First Time Homebuyers with approval of Resolution No. 05-039. This will take a portion of the 2005 volume cap for single family and will be taking \$60,000,000 of the volume cap and turn it into \$15,000,000 in MCCs. There is a balance of 2005 volume cap for single family of \$107,925,000. With taking this \$60,000,000 out there will be a balance of \$47,925,000.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the MCC Program as recommended by staff.

Passed Unanimously

f) Approval to Increase Area Median Family Income for First Time Homebuyer Program

Ms. Carrington stated this is a request for an increase of the area median family income for the First Time Homebuyer Program for mortgages that have assisted dollars with them with an increase from 80% to 115% of AMFI for those borrowers who obtain assisted mortgages.

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the increase of the area median family income for the First Time Homebuyer Program for mortgages that have assisted dollars with them.

Passed Unanimously

EXECUTIVE SESSION

A. The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551

B. 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 or to hear a complaint or charge against an officer or employee of TDHCA.

C. Consultation with Attorney Pursuant to §551.071, Texas Government Code:

1. With Respect to pending or contemplated litigation styled *Hyperion, et Al v. TDHCA*, filed in Federal Court

2. Other pending or contemplated litigation, settlement offers or matters under Texas Government Code §551.071(2) unknown at the time of posting

Ms. Anderson stated: " On this date, June 27, 2005, at a regular meeting of the governing board of the Texas Department of Housing and Community Affairs held in Austin, Texas. The Board adjourned anew. The closed Executive Session is evidenced by the following: the Board will begin its Executive Session today, June 27, 2005 at 11:55 a.m. Subject matter of the Executive Session is as follows: Board may go into Executive Session on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

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 or to hear a complaint or charge against an officer or employee of TDHCA.

Consultation with Attorney Pursuant to §551.071 of the Texas Government Code: 1. With Respect to pending or contemplated litigation styled Hyperion, et all v. TDHCA, filed in Federal Court 2. Other pending or contemplated litigation, settlement offers or matters under Texas Government Code §551.071(2) unknown at the time of posting.
So we stand in recess until the conclusion of the Executive Session”

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Ms Anderson stated: “The Board has completed its Executive Session of Texas Department of Housing and Community Affairs on June 27 at -- well, we'll say 12:45 p.m. here. I certify this agenda of an Executive Session regarding Board of the Texas Department of Housing and Community Affairs was properly authorized, pursuant to 551.103, the Texas Government Code. The agenda was posted at the Secretary of State's Office seven days prior to the meeting, pursuant to 551.044, the Texas Government Code, that all members of the Board were present with the exception of -- they were all present, and that this is a true and correct record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.”

(5) Presentation, Discussion and Possible Approval of Audit Committee Report:

a) Internal Audit Report – TDHCA Compliance with Texas Whistleblower Act

b) Status of Prior Audit Issues

c) HUD On-site Monitoring of Environmental Procedures (HOME & Emergency Shelter Grants Program)

d) Status of Internal/External Audits

Mr. Patrick Gordon, member of the Audit Committee, gave the report and stated the Audit Committee met earlier in the day and discussed the internal audit report to determine whether TDHCA was in compliance with the Texas Whistleblower Act and it was determined that the department was in full compliance. The second item involved prior audit issues which they discussed and determined that they were resolved. They also discussed the HUD on-site monitoring of environmental procedural issues and HUD is conducting this audit. The next item discussed was the status of the internal/external audits. The internal audits being currently conducted by TDHCA are under way and are being filed in compliance that the Committee believes that they needed to be. Other items discussed were the streamlined report presented to the Audit Committee with time sensitive areas so they could determine the status of each of these particular audits.

REPORT ITEMS

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for May, 2005
Ms. Carrington stated the outreach activities for the Month of May were given to the Board for their review.
2. Progress of Agency Moving Plans
The agency staff continues working on the plans for the agency move to take place in December, 2005.
3. Presentation at UCP Annual Meeting
Ms. Carrington stated she was asked to participate in a meeting held by UCP in Arizona which was sponsored by Fannie Mae. Jorge Reyes of the Division of Policy and Public Affairs went in Ms. Carrington's place since she had to stay in Texas and be in federal court. Mr. Reyes did an excellent job for the department.
4. Board Meetings: June 27, 2005 to be held at the William B. Travis Building;
July 14, 2005 to be held at TDHCA Offices
July 27, 2005 to be held at the State Capitol Auditorium

August 19, 2005 to be held at the State Capitol Auditorium
Ms. Carrington presented the dates for future reference for the Board members.

5. Report on Uncommitted Allocation Available of Single Family Mortgage Loan Proceeds
The uncommitted allocation report on the bond program was presented to the Board for future review.
6. Status of Construction Fees Collections
Ms. Carrington stated there are no outstanding inspection fees due to a very aggressive collection effort over the last 1 ½ years by the Department.

ADJOURN

Ms. Anderson stated that since there was no other business to undertake, the board stood adjourned.

The meeting adjourned at 12:55 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminjun

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
July 14, 2005 9:30 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of July 14, 2005 was called to order by the Chair of the Board Elizabeth Anderson at 9:40 a.m. It was held at 507 Sabine, Room 437, Austin, Texas. Roll call certified a quorum was present. Norberto Salinas was absent.

Members present:

Elizabeth Anderson – Chair
C. Kent Conine -- Vice Chair
Patrick Gordon – Member
Vidal Gonzalez – Member
Shad Bogany – Member

Staff of the Texas Department of Housing and Community Affairs was also present.

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 department staff and motions made by the Board.

Ms. Anderson called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

Ronni Hodges, Austin, Texas

Ms. Hodges spoke on 05178, Tuscan Court Townhomes. They have 76 units of construction and have 43 families living there. She requested an additional amount of \$58,000 in tax credits as they need to build a drainage system to keep the apartments from flooding.

Rick Brown, Developer, Hereford, Texas

Mr. Brown stated he was speaking on Hereford Central Place, #05020. He was advised by the department that he could not use housing finance corporation funds but he has found out they could have used these funds in their region.

Chris Rhodes, Plano, Texas

Mr. Rhodes gave his time to Mr. Rick Brown.

Dennis Hoover, Developer, Burnet, Texas

Mr. Hoover did not give any comments.

ACTION ITEMS

(1) **Presentation, Discussion and Possible Approval of Housing Tax Credit Items:**

a) **Housing Tax Credit Extensions for Construction Loan Closings for:**

03248 La Casita Apartments, Garciasvilles, Texas

04047 Stratton Oaks Apartments, Sequin, Texas

Ms. Carrington stated the first request for La Casita Apartments is for the start of substantial construction and the second request is for an extension on the close of a construction loan.

La Casita Apartments, Garciasvilles, Texas

Ms. Carrington stated this is a 2003 tax credit application that has had a number of significant challenges throughout the development. It has 28 units and they have had issues with the title company in getting them to provide title insurance for a period of two years. It is a USDA development. They are asking for a new deadline of 09-09-05 for the start of substantial construction.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the extension to 09-09-05 for La Casita Apartments in Garciasvilles, Texas.
Passed Unanimously

Stratton Oaks Apartments, Seguin, Texas

Ms. Carrington stated this is an extension of the close of the construction loan to October 1, 2005. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the extension to October 1, 2005 for Stratton Oaks Apartments in Seguin, Texas
Passed Unanimously

- b) **Action on Appeals for the 2005 Housing Tax Credit Program Application Cycle for:**
05082 Sphinx at Luxar Villas, Dallas, Texas
05103 Elm Grove Senior Village, Amarillo, Texas
 These two appeals with withdrawn.

**Consistent with §49.17(b)(4)(B) And Any Other Appeals Timely Filed
Key West Village in Odessa, Texas**

Ms. Carrington stated Key West Village in Odessa is a 2005 application for tax credits and they are appealing the loss of 24 points down to 12 points due to the three members of the homeowners association are also the three officers and there are no other members listed for the organization.

Dan Allgeier, Coppell, Texas

Mr. Allgeier stated there are 20-30 members in this homeowners association and not just 3 board members. He asked that the points be reinstated as there is now evidence of more members.

Ms. Brooke Boston stated that they do have the information but it was not faxed in time for the Board book to go out. The only documentation received from the neighborhood is a letter saying the neighborhood organization has 3 members and indicating that those members were also the officers. A letter from the applicant states there are 20 members but nothing has been received from the neighborhood organization.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal and uphold the staff's recommendation for Key West Village in Odessa, Texas.
Passed Unanimously

Greenbriar Village Apartments

Ms. Carrington stated staff disqualified a 2005 application based on information received and this concerns the HUB. On this development the applicant requested 2 points under the HUB section in the QAP. The principal of this project had 3 sets of 8609s so was not eligible to receive these points. Staff is recommending that the Board not grant the appeal.

Randy Stevenson, Arlington, Texas

Mr. Stevenson stated they were terminated and accused of misrepresentation and he felt that they made an honest mistake as he thought the principal as it related to the HUB entity meant owner and not an officer or a manager. They did not realize they had done anything wrong.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to deny the appeal and uphold the recommendation of staff for Greenbriar Village Apartments.
Passed Unanimously

c) Presentation of Research on Allegations Made About 2005 Housing Tax Credit Applications

Ms. Carrington stated this is a presentation of research on allegations made concerning the 2005 tax credit applications. There are 15 allegations that involve 14 applications in the cycle for this year. Staff does research all allegations even though some may be sent in without a signature on it. If there is no justification to the allegation staff does notify the person who made the allegation (if it was signed) and also a note is placed in the file. If the allegation is found to be true the appropriate action is taken.

Staff was asked to place Hereford Place on the agenda for the next Board Meeting as staff is still working on the allegation on this project.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas

Ms. Bast did not give any comments.

Eduardo Magaloni, San Antonio, Texas

Mr. Magaloni was available to answer any questions the Board may have.

Raymond Lucas, San Antonio, Texas

Mr. Lucas was available to answer any questions the Board may have.

d) Request for Waiver of §49.9(f)(8)(A) requirement regarding age of Notifications for Spriggsdale Plaza

Ms. Carrington stated this item has been pulled from the agenda.

**(2) Presentation, Discussion and Possible Approval of Multifamily Bond Program:
a) Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2005 (2005 Waiting List)**

2005-040	Brookwood Apartments, Houston, Texas
2005-039	Rolling Creek Apartments, Houston, Texas
2005-042	Ennis Senior Estates, Ennis, Texas

Ms. Carrington stated there are three applications for private activity bonds and four percent credits for the inducement to be placed on the waiting list for 2005 at the Bond Review Board. Brookwood Apartments in Houston has received much opposition; and the other two Rolling Creek Apartments in Houston and Ennis Senior Estates in Ennis have received little or not opposition.

Robert Lester, Houston, Texas

Mr. Lester stated he is the President of the Brookwoods Estates Civic Club in Houston and they are surrounded by more than 24 low income apartment projects. The addition of 250 more would deteriorate their housing and they are opposed to this development. He had several people in the audience to stand who were against the project.

Jim McLaughlin, Houston, Texas

Mr. McLaughlin stated they are senior citizens living in this area and he was worried about their safety. He also felt the vacancy rates provided by the developer were not correct.

Patricia Lester, Houston, Texas

Ms. Lester thanked the Board for hearing their concerns and stated the schools are at capacity and she asked the Board to deny the project for inducement.

Louise Connell, Houston, Texas

Ms. Connell stated there is a tremendous amount of traffic in this area now and with the addition of more multi family units the traffic will increase. She asked the Board to consider what increased traffic would do to their neighborhood and deny the project inducement.

Monica Faulkner of Rep. Jessica Farrar's Office, Houston, Texas

Ms. Faulkner stated the Representative wrote a letter of opposition to this project and the Representative feels there is an issue of density and this area can not hold any more apartment units.

Julie Freeland, Houston, Texas

Ms. Freeland stated there is too much traffic in this area and putting more apartment units would only add to the problem.

Julie Droegemeyer, Houston, Texas

Ms. Droegemeyer stated she is opposed to this project as there are too many apartment units in this area now and they remain below tenant occupancy. If there are more apartments put in this area it would only add to a drainage problem also.

Bobby Hendrix, Houston, Texas

Mr. Hendrix stated there is a lot of flooding in this area and more apartment units would only add to the problem. She asked the Board to not approve the project for inducement.

Sandra Jacobs, Houston, Texas

Ms. Jacobs stated there are many apartment complexes in this area and rental rates proposed will be higher than what is there now.

Karen Townsend, Houston, Texas

Ms. Thompson presented information to the Board on this project and stated there were many people in opposition to the project.

Sigrid Huth, Houston, Texas

Ms. Huth gave her time to Ms. Townsend.

Samantha Townsend, Houston, Texas

Ms. Townsend stated she was against the project and asked the Board to vote against it.

Sam Jacobs, Houston, Texas

Mr. Jacobs stated the developed of this proposed project has not approached the subdivision one time and has not attended any meetings and communicated only once with a very sarcastic letter.

Neevis Hill, Houston, Texas

Ms. Hill gave her time to Mr. Jacobs.

Paul Antonsen, Houston, Texas

Mr. Antonsen stated he was opposed to the Brookwood Apartments and read a letter into the record from Mayor Bill White which stated:

"Thank you for your notice advising the City of Houston of the application referenced above. Brookwood Apartments would be a 250 unit multi-complex. And the address is wrong, but it is located on Brookwoods Drive. Our preliminary evaluation of this proposal suggests that your close scrutiny of the impact on the surrounding neighborhood is fully warranted, and we request your agency to do so. This is an area in northwest Houston that already has an extremely high concentration of multi-family complexes.

The Brookwoods Estates Civic Club has expressed strong opposition to another multi-family complex in their neighborhood. The civic club has received support from local and state elected officials in their opposition. We are strong advocates of the affordable multi-family housing needs.

However, we seek developments that are compatible with the community and do not are not adverse to local neighborhoods. Your close attention to this matter would be appreciated. And then just one paragraph from Jerry Ebersole, our Commissioner from Precinct 4. The Brownwood permit, the construction of the low-income housing project known as Brookwood Apartments, the residential community is adamantly opposed to the proposed location of the project on Brookwoods Drive in Harris County, Precinct 4. Please note that low-income housing developers should labor more diligently in their research and work with surrounding communities to locate areas where communities will not oppose them. Thank you for your time.”

Jim Kennedy, Houston, Texas

Mr. Kennedy stated that police protection has decreased and there could be more crime in this area.

Bill Townsend, Houston, Texas

Mr. Townsend furnished each Board member with information they had collected on this area and project which included copies of opposition letters and pictures of the sub-division and then read a letter into the record from Florence Neweyer which stated:

“I have been a resident of Brookwoods Estates for 44 years. We built our home in 1961, and since that time, many changes have occurred within the neighborhood and in the surrounding area. Some changes were improvements, and some were not welcome. But that goes with living in a growing city. Through it all, we have been good citizens and good neighbors. As the saying goes, the straw that broke the camel's back came when we learned that a 250 unit affordable housing project was being proposed at 4610 Brookwoods Drive, the entrance to our small neighborhood of 180 homes. Such a development would bring 600 to 1,000 people into an area already in need of better city services, including water system, drainage and police protection and not to mention our elementary schools which are already at capacity.

We felt justified in opposing the project, because our neighborhood is surrounded by some 2,800 units of affordable housing with over 300 vacant units. Our civic club received a letter from Mr. William Henson, dated March 20, 2005, in which he outlined the proposed housing project. Our civic club president Bob Lester responded in opposition, stating our reasons, and sending a copy to Ms. Robbye Meyer of the TDHCA. The neighborhood then set about gathering facts and doing research to present to public officials as we contacted them for support in opposing Brookwood Apartments. Compiling data to justify our opposition to the project was no small task. Our public officials were no pushovers. They did their own investigations and verified our research. They, and their staff members spent much time evaluating our concerns and we were impressed and appreciative of their involvement. After all their research was completed, and all the data evaluated, all 17 officials when we sought help joined the Brookwood Civic Club in opposition to the project. Each sent a letter to the TDHCA stating their opposition to Brookwood Apartments.

Richard Lettice, Houston, Texas

Mr. Lettice stated there is much traffic now and this would not be a good place for children to play. He was concerned about the elevators in a high rise as they could be dangerous to small children.

Richard Moseley, Houston, Texas

Mr. Moseley stated there are more apartments in this area that are renting less than what these rents are proposed to be and he was concerned about the flooding issue.

Victoria Frayser, Houston, Texas

Ms. Frayser stated she grew up in this neighborhood and there are too many apartments units and she was concerned about the many units. She said the developer has not contacted them and did not work with them on this project.

Mr. Bogany asked to hear from the developer on the statements made by the residents of this area of Houston where the proposed project is to be.

Steve Ford, Developer, Houston, Texas

Mr. Ford stated there are 2800 units in this area where he proposes to build the apartment complex. There is extremely high density and there are problems in this area that the current properties cannot be rehabbed to the standards that apartment dwellers would like. He felt he had addressed the flooding issues but there is a problem with traffic. He also stated they have not been working with the neighborhood as he usually does this after he has a project that has been induced.

Ms. Robbye Meyer stated once the Bond Review Board receives an application the application receives a reservation allocation. There is a 150 day window and public hearings are held during this time. This is an inducement just to get on the waiting at the Bond Review Board.

Mr. Bogany was concerned with the heavy concentration of units being put in one particular area in Houston. He does know Mr. Ford does a good project and the units look good and are managed well.

Ms. Anderson stated she liked the innovation of this project but felt it was not the right piece of land to place it on.

Motion made by Shad Bogany and seconded by Patrick Gordon to deny the project for inducement.

Passed Unanimously

Mark Bower, Corpus Christi, Texas

Mr. Bower was available to answer any questions the Board might have on Rolling Creek.

Bob Coe, O'Connor & Associates, Houston, Texas

Mr. Coe stated there is only one existing tax credit property in the PMS and is a 2003 project and is 94% leased up.

Rolling Creek Apartments, Houston, Texas

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the project of Rolling Creek for inducement and to be placed on the 2005 waiting list at the Texas Bond Review Board.

Passed Unanimously

Ennis Senior Estates, Ennis, Texas

Ms. Carrington stated there are no public comments on this project.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the project for inducement and to be placed on the 2005 waiting list at the Texas Bond Review Board.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to approve Resolution No. 05-052 with the removal of Brookwood Apartments in Houston, Texas for the inducements.

Passed Unanimously

b) Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer For:

1) **Park Manor Senior, Sherman, Grayson County, Texas, in an Amount Not to Exceed \$10,400,000 and Issuance of a Determination Notice (Requested Amount of \$492,922 and Recommended Amount of \$492,922)**

Ms. Carrington stated there are two 4% bond transactions with TDHCA as the issuer. Park Manor Senior Community would be located in Sherman Texas and the building type is a single story garden type building. The bond amount is not to exceed \$10,400,000 and the tax credit allocation is \$492,222.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve Res. No. 05-051 for Park Manor Senior Community with the bond amount not to exceed \$10,400,000 and the tax credit allocation of \$492,222.

Passed Unanimously

2) **St Augustine Estates Apartments, Dallas, Dallas County, Texas, in an Amount Not to Exceed \$10,000,000 and Issuance of a Determination Notice (Requested Amount of \$564,705 and Recommended Amount Not to Exceed \$564,705)**

Ms. Carrington stated this project will have 150 units of elderly housing and would be 2 large buildings with 3 stores and will have elevators. The amount of bonds is \$10,000,000 and the tax credit allocation is \$559,841. The department will have prior to closing documentation from a third party environmental engineer which indicates that no issues of environmental concern exists with regards to this site.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the issuance of bonds in the amount of \$10,000,000 and the tax credit allocation \$559,841 with Res. No. 05-050 with the requirement of the information from the environmental engineer.

Passed Unanimously

c) **Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers: 05414 Clark Pointe, San Antonio, Texas San Antonio Housing Finance Corp. is Issuer (Requested Amount of \$1,011,332 and Recommended Amount Not to Exceed \$1,011,332)**

Ms. Carrington stated this project is in San Antonio and with another issuer. The tax credit allocation recommended by staff is \$1,011,331 and to waive the 60 day rule regarding submissions to the department.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the tax credit allocation of \$1,011,331 for Clarke Pointe Apartments and to waive the 60 day rule on submissions and to include in the underwriting report the replacement reserves.

Passed Unanimously

3) **Presentation, Discussion and Possible Approval of Programmatic Items:**

a) **Discussion and Possible Action on Award of Predevelopment Loan Funds from the Housing Trust Fund for: Acres Homes, Houston, Texas**

This item was pulled from the agenda.

b) **Approval of Recommendations by Department Staff for HOME Awards to Community Housing Development Organizations (CHDOs) from the Following List of all Applications Submitted Under the 2005 HOME CHDO NOFA from the list of all Applications:**

Project #	Region	Project Name	Location	Req. Amt
05146	3	Spring Garden	Springtown	\$ 600,000
05189	3	Windvale Park	Corsicana	\$1,500,000
05258	7	Hearthside	Austin	\$1,250,000
05247	13	Hacienda Santa Barbara Apts	Socorro	\$ 231,362
05262	7	Luling Senior Housing	Luling	\$1,500,000
05419	6	Sundance Apartments	Texas City	\$1,000,000

Ms. Carrington stated this is staff's recommendations on the HOME Awards to Community Housing Development Organizations. The department has an open cycle that was posted on the website in January 2005 and was for both single family and multi family developments. The NOFA was for \$13,000,000 and the department received 10 applications and this is an open cycle and applications are processed on a first-come first serve basis. Staff is recommending two of the applications and staff is processing two more. The total being recommended is \$2,022,650 plus \$50,000 in CHDO operating funds. Two out of the three applications are also applying for 9% tax credits and the other one is applying for Housing Trust Fund. Staff is recommending Spring Garden in Springtown for \$600,000 with \$50,000 in CHDO operating funds; Hearthside is in Austin and is being recommended for \$1,250,000. They also have a request of Housing Trust Fund money which will serve individuals with disabilities; Hacienda Santa Barbara Apartments is in Socorro and their recommended amount is \$231,262 with \$57,851 in CHDI operating funds.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Spring Garden for \$600,000 with \$50,000 in CHDO operating funds; Hearthside for \$1,250,000; and Hacienda Santa Barbara Apartments for \$231,262 with \$57,851 in CHDI operating funds.
 Passed Unanimously

c) Approval of Recommendations by Department Staff for HOME Awards From the Following list of all Applications Submitted under the 2005 HOME Rental Production (General and Preservation) NOFA from the list of all Applications:

Project #	Region	Project Name	Location	Req. Amt
05238	8	Hamilton Manor Apartments	Hamilton	\$ 296,869
05236	8	Clifton Manor Apartments I & II	Clifton	\$ 602,566
05261	5	East Texas Apartments	Garrison	\$ 502,366
05239	6	Bayshore Manor Apartments	Palacios	\$ 385,000
05234	4	Country Square Apartments	Lone Star	\$ 385,000
05234	6	Park Place Apartments	Bellville	\$ 225,000
05084	6	University Place Apartments	Wharton	\$ 375,000
05237	12	Bel Aire Manor Apartments	Brady	\$ 319,808
06001	4	Laneville Place Apartments	Henderson	\$ 435,000
05135	9	Villas at German Spring	New Braunfels	\$ 500,000
05224	10	Brookwood Retirement Apts.	Victoria	\$ 950,000
05249	9	Floresville Square Apartments	Floresville	\$ 733,638
05263	8	Belton Housing Authority	Belton	\$ 921,513

Ms. Carrington stated this is the 2005 HOME rental development program which had an open cycle and the NOFA amount was \$5,000,000 available for rental developments. The department received 15 applications and staff is recommending 8 for funding for a total of \$3,091,609 subject to the PMC review.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve East Texas Apartments for \$502,366; Bayshore Manor Apartments for \$385,000; Country Square Apartments for \$385,000; Park Place Apartments for \$225,000; University Place Apartments for \$375,000; Bel Aire Manor Apartments for \$285,664; Hamilton Manor Apartments for \$255,517 and Clifton Manor Apartments 1 & 11 for \$515,566.
 Passed Unanimously

d) Approval of Recommendations of Department Staff for Housing Trust Fund Rental Development Program Awards from the Following List of all Applications Submitted for the 2005 Housing Trust Fund Competitive NOFA from the list of all Applications:

Project #	Region	Project Name	Location	Req. Amt
05246	3	Villas at Henderson Place	Cleburne	\$ 700,000
05222	6	Kingwood Senior Village	Houston	\$ 350,000
05142	7	Wesleyan Retirement Homes	Georgetown	\$ 250,000

05258	7	Hearthside	Austin	\$ 218,457
05238	8	Hamilton Manor Apartments	Hamilton	\$ 41,352
05236	8	Clifton Manor Apartments I & II	Clifton	\$ 87,046
05259	10	Fenner Square	Goliad	\$ 110,000
05257	10	The Villas at Costa Tarragona	Corpus Christi	\$ 170,000
05237	12	Bel Aire Manor Apartments	Brady	\$ 51,026
05141	2	The Arbors at Rose Park	Abilene	\$ 138,000
05155	9	Canyon's Landing	Poteet	\$ 160,000
05135	9	Villas at German Spring	New Braunfels	\$ 500,000
05247	13	Hacienda Santa Barbara Apts.	Socorro	\$ 206,539

Ms. Carrington stated this is for the approval of recommendations of staff for the Housing Trust Fund rental development awards. This was a competitive NOFA and was for \$4,000,000. Staff is recommending ten applications for \$2,982,420 for The Arbors at Rose Mark for \$138,000; Villas at Henderson Place for \$700,000; Kingwood Senior Village for \$350,000; Wesleyan Retirement Homes for \$250,000; Hamilton Manor Apartments for \$45,743; Clifton Manor Apartments 1 and 11 for \$87,000; Fenner Square for \$110,000; The Villas at Costa Tarragona for \$170,000; and Bel Aire Manor Apartments for \$51,344.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the applications with the adjustment of 05258 which is Hearthside which is going from \$218,457 to \$682,010.
Passed Unanimously

4) Presentation, Discussion and Possible Approval of:

a) FY 2006 Draft Operating Budget

b) FY 2006 Draft Housing Finance Operating Budget

Ms. Carrington stated this is the draft operating budget for 2006.

Mr. Bill Dally stated this is the draft budget and staff will bring this item back for final approval at the August 19th Board Meeting. The FTE cap is 298 which is a reduction from 313 in the previous biennium. Included in this budget is the Peoplesoft implementation money in the capital budget of \$600,000. The operating budget is just under \$21,000,000 and is a subset of the \$159 billion in appropriations for 2006.

Mr. David Cervantes stated this budget has a \$91,000 increase or a 4.4% increase. This is due to the legislature passed a 4% increase for state employees and this increased the salary amount. Professional fees have risen and the cost of the move is also in this budget.

Mr. Conine asked staff to explain several of the numbers and if the department seeks outside help to formulate these budgets.

Mr. Cervantes stated that there have been many discussions on the move with the department staff and also with the Building and Procurement Commission who is responsible for finding a state building for the department.

Ms. Anderson stated she had three things for consideration before the final budget is presented:

- (1) HB 1582 – study on mortgage foreclosure rates and where are the budget funds?
- (2) Money for market studies – would like to see if more money can be available to have more market analysts
- (3) Peoplesoft upgrade is a major project and the department would serve staff poorly if they did not invest in training for staff on Peoplesoft.

c) Approval of Request for Qualifications for Financial Advisor

Ms. Carrington stated this item was pulled from the agenda.

d) Approval of Market Rate Program

Ms. Carrington stated this program that would not involve the issuance of bonds by the department as the department would be using a warehouse line that is being made available to the department by Citimortgage. The program would be available to non-first-time homebuyers and it has up to 8% down payment assistance that is provided by Fannie Mae. The dollar amount for this program is \$22,500,000.

Mr. Bogany had questions if this was going to allow people on contract for deeds to try to do a refinance on their contract for deed.

Mr. Byron Johnson, Director of Bond Finance, stated they have not considered the contract for deed program but will include it in the analysis that they are doing.

The Board asked Mr. Johnson to report back to the board at a later meeting on this program.

REPORT ITEMS

Executive Directors Report

1. Quarterly Transfer Report for Housing Tax Credits

Ms. Carrington stated this is the report given to the Board on a quarterly basis that shows the change of ownership in the tax credit and bond transactions.

2. Report Concerning the Use of Supportive Housing Program Rental Assistance for Tax Credit Transitional Housing

Ms. Carrington stated this information is made available to the Board members as staff was asked to find out what the tax credit counsel would say about how rental assistance could be used with supportive housing.

Ms. Anne Reynolds, Acting General Counsel stated the tax credit counsel agrees that the supportive housing program for transitional housing is federal funds for purposes of Section 482.

Mr. Conine had questions if there is a letter from the IRS on this. He asked the staff to explore this and report back to the Board in a future meeting.

3. Department Outreach Activities – Meetings, Trainings, Conferences Workshops for June, 2005

Ms. Carrington stated this is the report furnished to give the Board members information on trainings, conferences, etc. that staff is participating in.

EXECUTIVE SESSION

A. The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551

B. 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 or to hear a complaint or charge against an officer or employee of TDHCA.

C. Consultation with Attorney Pursuant to §551.071, Texas Government Code: Other pending or contemplated litigation, settlement offers or matters under Texas Government Code §551.071(2) related to low income housing issues currently active in the Dallas area.

Ms. Anderson stated: "On this day, July 14, 2005, the regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into closed executive session as evidenced by the following. The Board will begin its executive session today, July 14, 2005 at 12:40 p.m. The subject matter of the executive session, deliberation -- the Board may go into executive session on any agenda item appropriate and authorized by the Open Meetings Act, Texas Government Code Chapter 551. 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, and reassignment duties, discipline or dismissal of a public officer or employee or hear a complaint or charge against an officer or employee of TDHCA. Other pending or contemplated legislative settlement offers or matters that our Texas Government Code 551.071(2) related to the low-income housing issues currently active in the Dallas area. We are adjourned and we go into executive session."

The Board went into Executive Session at 12:40 pm.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Ms. Anderson stated: "The Board has completed its executive session and the Texas Department of Housing and Community Affairs on July 14, 2005 at 1:40 p.m. I hereby certify that this agenda of the executive session of the Governing Board of the Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code. The agenda was posted at the Secretary of State's office seven days prior to the meeting pursuant to 551.044 of the Texas Government Code, that all members of the Board were present with the exception of Mayor Salinas, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551 Texas Government Code."

The Board returned to Open Session at 1:40 pm.

ADJOURN

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to adjourn the meeting.
The meeting adjourned at 1:41 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminjul1

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Items

Requests for approval of extended deadlines to close construction loans are summarized below.

Required Action

Approve or deny the requests for extensions related to 2004 Housing Tax Credit commitments.

Background

Pertinent facts about the developments requesting extensions are given below. Each request was accompanied by a mandatory \$2,500 extension request fee.

Palacio Del Sol Apartments, HTC No. 04005 (Forward Commitment from 2003, fka 03207)

Summary of Request: Applicant requests a second extension of the deadline to close the construction loan. Applicant is seeking a 221(d)(4) loan to demolish existing units and construct new units. After the previous extension request, the applicant submitted a memorandum from the Department of Housing and Urban Development (HUD) stating HUD's good faith commitment to continue housing assistance payments (HAP) during and after construction to the 106 existing units that are currently receiving HAP. HUD also indicated the conditions for an acceptable disposition of the existing HUD 202 loan. HUD's memorandum represented some progress toward closing and satisfied two conditions of the tax credit commitment notice. On July 22, 2005, HUD also provided a commitment to insure the mortgage. Although the applicant expects to close the construction loan soon, completing the final items of due diligence will require more than the time available to close under the existing deadline.

Applicant:	TX Palacio Housing, L.P.
General Partner:	Texas Palacio Development, LLC
Developer:	Southwest Housing Development
Principals/Interested Parties:	Mexican American Unity Council (owner of GP)
Syndicator:	MMA Financial
Construction Lender:	Davis-Penn Mortgage Company
Permanent Lender:	Davis-Penn Mortgage Company
Other Funding:	NA
City/County:	San Antonio/Bexar
Set-Aside:	At-Risk, Nonprofit
Type of Area:	Urban/Exurban
Type of Development:	New Construction
Population Served:	Elderly
Units:	186 HTC and 14 market rate units
2004 Allocation:	\$1,096,828
Allocation per HTC Unit:	\$5,897
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted on time.
Current Deadline:	August 1, 2005
New Deadline Requested:	October 1, 2005
New Deadline Recommended:	October 1, 2005
Prior Extensions:	Construction loan closing extended from 6/1/05 to 8/1/05
Staff Recommendation:	Approve extension as requested.

O.W. Collins Apartments, HTC Development No. 04100

Summary of Request: Applicant requests a second extension of the deadline to close the construction loan. After the last extension was approved, HUD raised issues that must be resolved prior to their completing the HUD 221(d)(4) loan which are currently being resolved with the limited partner. The delay with the applicant's HUD 221(d)(4) will cause the applicant to miss the existing HTC closing deadline. The applicant now expects to close by the middle of September.

Applicant:	O.W. Collins Apartments LP
General Partner:	O.W. Collins GP, LLC
Developer:	Itex Properties, LLC; Gulf Coast LLC; Housing Authority of the City of Port Arthur
Principals/Interested Parties:	Ike Akbari (owner of Itex Properties LLC and majority owner of Gulf Coast LLC); Josh Allen (10% owner of Gulf Coast LLC)
Syndicator:	Related Capital Company
Construction Lender:	GMAC Commercial Mortgage
Permanent Lender:	GMAC Commercial Mortgage
Other Funding:	NA
City/County:	Port Arthur/Jefferson
Set-Aside:	At-Risk
Type of Area:	Urban/Exurban
Type of Development:	Acquisition & Rehabilitation
Population Served:	Elderly
Units:	200 HTC units
2004 Allocation:	\$406,999
Allocation per HTC Unit:	\$2,035
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted on time.
Current Deadline:	August 1, 2005
New Deadline Requested:	September 30, 2005
New Deadline Recommended:	September 30, 2005
Prior Extensions:	Construction loan closing extended from 6/1/05 to 8/1/05
Staff Recommendation:	Approve extension as requested.

Renaissance Courts Apartments, HTC Development No. 04151

Summary of Request: Applicant requests a second extension of the deadline to close the construction loan. Although the applicant believes that the HUD 221(d)(4) loan can be closed by the extended deadline that has already been approved, applicant requests another extension as a precaution. Applicant stated that the City of Denton has the building permits ready; a committee of the tax credit investor has given approval; and a firm commitment from HUD was expected to be received prior to this Board meeting.

Applicant:	Renaissance Court, L.P.
General Partner:	Carleton GP I, Inc. (managing GP); Housing Authority of the City of Denton (co-GP)
Developer:	Carleton Development, Inc.
Principals/Interested Parties:	Housing Authority of the City of Denton; Printice Gary, R. David Kelly and Neal R. Hildebrandt (Carleton)
Syndicator:	Red Capital Markets
Construction Lender:	Red Capital Markets
Permanent Lender:	Red Capital Markets
Other Funding:	NA
City/County:	Denton/Denton
Set-Aside:	General
Type of Area:	Urban/Exurban
Type of Development:	New Construction
Population Served:	General Population
Units:	120 HTC and 30 market rate units
2004 Allocation:	\$900,015
Allocation per HTC Unit:	\$7,500
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted on time.
Current Deadline:	August 1, 2005
New Deadline Requested:	August 31, 2005
New Deadline Recommended:	August 31, 2005
Prior Extensions:	Construction loan closing extended from 6/1/05 to 8/1/05
Staff Recommendation:	Approve extension as requested.

Samaritan House Apartments, HTC Development No. 04157

Summary of Request: Applicant requests a second extension of the deadline to close the construction loan. The first extension was granted to give the applicant additional time to obtain final building permits from the City of Fort Worth. The current request is made because the original Historically Underutilized Business (HUB) has withdrawn from the proposal. A replacement for the HUB is necessary to fulfill representations of the application that affected the score. Carleton Construction, the general contractor, will enter a co-development agreement to become a replacement HUB. The process of changing the HUB and finalizing the ownership structure is causing more delay in closing the construction loan than was originally anticipated.

Applicant:	Hemphill Samaritan, LP
General Partner:	Hemphill Samaritan, LLC (Tarrant County Samaritan Housing, Inc., a nonprofit, is sole member)
Developer:	Hemphill Samaritan Developers, LLC
Principals/Interested Parties:	Tarrant County Samaritan Housing, Inc. (nonprofit sole member of GP); Tom Scott (member of owner of developer)
Syndicator:	Alliant
Construction Lender:	Mitchell Mortgage
Permanent Lender:	Mitchell Mortgage
Other Funding:	NA
City/County:	Fort Worth/Tarrant
Set-Aside:	Nonprofit
Type of Area:	Urban/Exurban
Type of Development:	New Construction
Population Served:	General Population
Units:	126 HTC units
2004 Allocation:	\$818,328
Allocation per HTC Unit:	\$6,495
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted on time but was not included in the last Board Book to allow time for withdrawing it without a processing fee if the loan could be closed on-time.
Current Deadline:	August 31, 2005
New Deadline Requested:	October 31, 2005
New Deadline Recommended:	October 31, 2005
Prior Extensions:	Construction loan closing extended from 6/1/05 to 8/31/05
Staff Recommendation:	Approve extension as requested.



Mexican American Unity Council, Inc.

2300 West-Commerce, Suite 200
San Antonio, Texas 78207
Phone (210) 978-0500
Fax (210) 978-0547
www.mauc.org

Yolanda Arellano
Chair

Frances J. Terán
President/CEO

RECEIVED

JUL 20 2005

EXECUTIVE

July 13, 2005

By Federal Express

Ms. Brooke Boston
Director, Multifamily Finance Production
TDHCA
507 Sabine Street, Suite 400
Austin, Texas 78701

RE: Palacio Del Sol (TDHCA # 04005) (the "Project");
Request for Second Extension of Construction Loan Closing Deadline.

Dear Ms. Boston:

This letter is written on behalf of TX Palacio Housing, L.P.. ("Project Owner"). An extension of the construction loan closing deadline was previously granted by the TDHCA Board until August 1, 2005. It now appears that delays in processing the HUD 221(d)(4) loan application for the Project may push the closing into September. We therefore are requesting a further extension of the construction loan closing deadline until October 1, 2005. Enclosed please find a check in the amount of \$2,500.00 to cover the extension fee, and a 2005 Document and Payment Receipt for your use in acknowledging receipt of this request and payment.

The Project Owner has met Carryover 10%-Test on the Project, and the development schedule will still permit completion by the Place-in-Service deadline.

We appreciate your consideration of this request. If any additional information is needed in order to process this extension request, please call me at (210)978-0500.

Sincerely,

Mexican American Unity Council

By 
Frances J. Terán, President/CEO

Enclosures

cc: Edwina Carrington
Deepak Sulakhe
Tamea A. Dula



U.S. Department of Housing and Urban Development
San Antonio Field Office, Region VI
Office of Housing, Multifamily Program Center
One Alamo Center
106 South St. Mary's Street, Suite 405
San Antonio, Texas 78205-3601
Phone (210) 475-6831 FAX (210) 472-6897
www.hud.gov www.espanol.hud.gov

bcc: 6jhmp Docket file
6jhmp m/C
6jhma Loan Scr.
6G Legal

July 22, 2005

Mr. Ray Landry
Davis Penn Mortgage Co.
12621 Featherwood, Suite 290
Houston, TX 77034

Dear Mr. Landry:

SUBJECT: Firm Commitment
Project No. 115-35480
Palacio Del Sol Apartments
San Antonio, Texas

Enclosed is a Commitment To Insure Upon Completion, Form HUD-92453-MM, for the subject project that reflects a mortgage amount of \$6,470,300. Also enclosed are Form HUD 92264, Project Income Analysis and Appraisal and, Form HUD-92264-A, Supplement to Project Income Analysis. Please proceed to schedule a date for Initial/Final closing within the next thirty days.

Meantime, If you have any questions, please contact Deborah Roberts-Rhodes, Project Manager, at (210) 475-6800, extension 2250, or Gretchen Parra, Supervisory Project Manager, at extension 2368.

Sincerely,

Elva Castillo
Director
Multifamily Program Center

Enclosures

Rhodes
Dr
Burgess
E 7/22/05
Toode
Parra
out

COATS | ROSE

ANTOINETTE M. JACKSON
OF COUNSEL

tjackson@coatsrose.com
Direct Dial
(713) 653-7392
Direct Fax
(713) 890-3928

July 26, 2005

VIA FEDERAL EXPRESS

Ms. Brooke Boston
Director, Multifamily Finance Production
Texas Department of Housing and
Community Affairs
507 Sabine Street, Suite 400
Austin, Texas 78701

RECEIVED

JUL 28 2005

LIHTC

RE: O.W. Collins (TDHCA #04100) – Request for Extension

Dear Ms. Boston:

This letter is written on behalf of O.W. Collins Apartments, LP (“Project Owner”). The Project Owner received a commitment for an annual allocation of 2004 Housing Tax Credits in the amount of \$406,999 (the “Commitment”) from the TDHCA for O.W. Collins Apartments (the “Project”). The Project is a 200-unit development in Port Arthur, Texas. We are requesting a 60-day extension of the construction loan closing deadline until October 1, 2005. Enclosed please find a check in the amount of \$2,500.00 to cover the extension fee, and a 2005 Document and Payment Receipt for your use in acknowledging receipt of this request and payment.

This extension is being requested because the processing of the HUD financing has taken longer than expected. HUD has raised a number of issues that are currently being resolved with the investor and will require additional processing time. Based upon the current processing status from HUD, we expect that the closing will take place by the middle of September.

Please note that our request for an extension will not affect the Project’s ability to meet its other deadlines in a timely manner.

COATS | ROSE | YALE | RYMAN | LEE
A Professional Corporation

3 East Greenway Plaza, Suite 2000 Houston, Texas 77046-0307

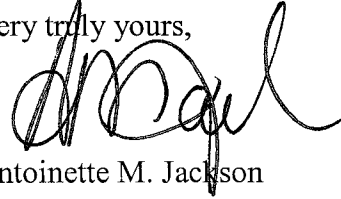
Phone: 713-651-0111 Fax: 713-651-0220

Web: www.coatsrose.com

Ms. Brooke Boston
July 26, 2005
Page 2

Thank you very much for your consideration of this request. If you have any questions concerning the HUD processing, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Antoinette M. Jackson', written in a cursive style.

Antoinette M. Jackson

Enclosures

cc: Edwina Carrington
Seledonio Quesada
K.T. Akbari

Carleton Residential Properties

5485 Belt Line Road
Suite 300
Dallas, Texas 75254

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

July 7, 2005

Ms. Edwina Carrington
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78701

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JUL - 8 2005
EXECUTIVE

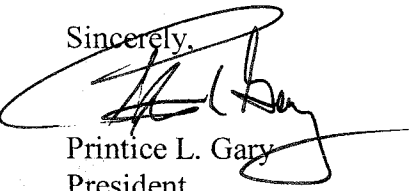
Dear Ms. Carrington:

Renaissance Courts Limited would like to request of an extension of the construction loan closing for Renaissance Courts Apartment (TDHCA #04151) until August 31, 2005. You will find the \$2,500 extension fee enclosed.

You have previously granted an extension to 8/1/05, and we still believe that we will close by that date. However, we would like to extend the date just in case some unforeseen problem should arrive. We are making great progress – Our building permits are ready to be picked up from the City of Denton, and we have committee approval from the investment board of our tax credit investor. We now are only waiting on the firm commitment from HUD on our HUD 221 (d) (4) loan. We expect to receive the commitment within the next two weeks and to close by the end of July. To ensure against some delay in receiving the commitment by HUD, we would like to extend the construction close date until 8/31/05.

Should you have any question on this matter, please feel free to call me at (972) 980-9810.

Sincerely,



Printice L. Gary
President

Carleton GP I, Inc.
Co-General Partner
Renaissance Courts Limited

JUL 14 4:06:56



RECEIVED
AUG 5, 2005
LIHTC

VIA OVERNIGHT MAIL

August 1, 2005

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine St., Fourth Floor
Austin, Texas 78711-3941

Re: SAMARITAN HOUSE - TDHCA # 04157 – Request for Extension of Time


Dear Mr. Sheppard:

At the Board meeting which convened on May 26th, approval was granted to extend the June 1st date for having closed the construction loan to August 31st. In that regard we have been working diligently toward a closing: all final plans are complete, both the construction and permanent lenders are in place, and the equity partnership has been fully negotiated. There continues to be a real reasonable likelihood that the construction loan will still be closed, and the information submitted, before the August 31st deadline.

Unfortunately, however, Samaritan House is unusually complicated with even more moving parts than a typical tax credit transaction. In this case, during the past thirty days the Carleton Construction has been brought in as general contractor. We have negotiated their contract and everyone is comfortable with their capabilities and ability to deliver the project within budget. Correspondingly, Ellen Rourke has opted not to participate as a HUB, and approval of a replacement is being sought from TDHCA. Further, our firm, as developer, has agreed to enter into a co-development agreement with Carleton. All these changes will ultimately serve to provide a much stronger deal for everyone, but the ability to timely close by August 31st is in doubt. It is pointed out that we did file the 10% test documentation by the original June 30th date. That report indicates that in excess of \$1,281,000 had already been spent on this project as of that date.

In view of all of the above, therefore, out of an abundance of caution, it is respectfully requested that the deadline be again extended to October 31, 2005. A check for \$2,500.00 is enclosed herewith as the fee for this extension request.

Please advise the acceptability of this request at your early convenience.


Robert J. DeLuca
Authorized Representative

EXECUTIVE OFFICE

BOARD ACTION REQUEST
August 19, 2005

Action Item

Discussion and Determination on 2005 Housing Tax Credit Appeals
Consistent with §49.17(b)(4)(B) And Any Other Appeals Timely Filed

Background

There were no appeals filed as of the date the board book was prepared.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**BOARD ACTION ITEM
EXECUTIVE**

August 19, 2005

ACTION ITEM

**STATEMENT CONCERNING JUNE 10, 2005 LETTER FROM MUNSCH, HARDT,
KOPF & HARR, PC**

REQUIRED ACTION

None.

BACKGROUND

The Department, TDHCA board members, and Chairman Talton received a June 10, 2005 letter from the law firm of Munsch, Hardt, Kopf & Harr, PC in Dallas that expressed concern that tax credits and multifamily tax exempt bond projects were being allocated in a manner that perpetuates racial segregation and poverty concentrations in the inner cities. TDHCA staff is in the process of carefully reviewing the statistics included in the letter. We are seriously concerned about the issues raised in the letter. We reviewed the differences in the 4% and 9% distribution of projects and we continue to evaluate our overall allocations in light of federal and state requirements and public policy interests. We encourage continued public dialog on these issues as we proceed through the public hearing and comment process for the 2006 tax credit program.

The Department is trying to address the issues raised in the letter within the confines of our statutory constraints. As we develop our program rules, we are mindful of dispersion and deconcentration concerns so that as few projects as possible are located in impacted areas. The proposed QAP, for example, includes additional restrictions on new construction as well as a limit on the number of units. We have also approved \$50,000 to fund market studies in the Houston area.

We welcome your comments on this important issue.

**MUNSCH HARDT
KOPF & HARR** PC

ATTORNEYS & COUNSELORS

DALLAS | HOUSTON | AUSTIN

4000 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2790
Main 214.855.7500
Fax 214.855.7584
Web munsch.com

RE: Writer's Direct Dial: 214.855.7594
E-Mail: rvoelker@munsch.com
Direct Fax: 214.978.4379

June 10, 2005

The Honorable Robert Talton
Chairman, Urban Affairs Committee
Room CAP GW.06
P.O. Box 2910
Austin, TX 78768

Ms. Edwina Carrington
Texas Department of Housing &
Community Affairs
Waller Creek Office Building
507 Sabine Street
Austin, TX 78701

Robert C. Kline
Executive Director
Texas Bond Review Board
P.O. Box 13292
Austin, TX 78711-3292

Re: Proposed 2006 Low Income Housing Tax Credit Qualified Allocation Plan &
Section 1372 of the Texas Government Code

Dear Representative Talton, Ms. Carrington and Mr. Kline:

As a former developer of affordable housing, and as an attorney who has worked in this field since the inception of the tax credit program, I write to comment on the yet-to-be proposed 2006 Low Income Housing Tax Credit Qualified Allocation Plan (herein called the "QAP") and the rules and regulations (the "**Bond Rules**") with respect to the operation of the multifamily tax-exempt bond program (the "**Bond Program**") by the Texas Bond Review Board ("**BRB**"), as set forth in Section 1372 of the Texas Government Code. Our comments to the future 2006 QAP are based on the 2005 QAP. We are assuming for this purpose that the funding priorities of the QAP and the Bond Rules will not, in the absence of attention to issues raised herein, be substantially different from recent years.

These comments discuss in detail how the 2006 QAP and the Bond Rules will contravene federal legislation and federal court law, which requires that the Texas Department of Housing & Community Affairs (**TDCHA**) administer the Low Income Housing Tax Credits (**LIHTCs**) and the BRB operate the Bond Program "in a manner consistent with [federal] housing policy governing non-discrimination." The 2006 QAP's funding allocations and point preferences and the Bond Rules will perpetuate racial segregation and poverty concentrations in Texas' inner cities while limiting the creation of housing opportunities that would result in economic and racial segregation in Texas cities, neighborhoods and schools. TDHCA's funding

allocations, as well as the funding allocations of the BRB under the Bond Program. must promote racial integration, but TDHCA's and the BRB's continued failure to evaluate the racially-segregative implications of prior and current funding decisions permits TDHCA and the BRB to disproportionately allocate federal LIHTCs and tax-exempt bond funds (the "**Bonds**") to projects located in racially- and economically-segregated areas ("**Impacted Areas**"). Furthermore, the QAP provisions requiring multiple notifications to state and local political officials and numerous homeowner groups proscribe notifications not required of any other type of housing, resulting in disparate treatment for low income people who are disproportionately minority and these notification provisions, along with scoring rules for political and neighborhood organization support or opposition, enable "not-in-my-backyard" (**NIMBY**) opposition to developments proposed in non-Impacted, higher income, lower minority areas ("**Non-Impacted Areas**"), in direct contravention to the federal policy to promote non-discrimination.

The Problem
Racial and Socio-Economic Segregation of LIHTC
and LIHTC/Bond Financed Housing in Texas

The following chart shows that the vast majority of LIHTC and LIHTC/Bond funded developments in the Dallas, Fort Worth, Austin and Houston metropolitan areas have been placed in Impacted Areas.

	% of Units in above Average Minority Areas	% of Units in Below Average Income Areas
Dallas	77%	88%
Fort Worth	56%	72%
Austin	86%	76%
Houston	72%	78%

It is helpful to look at these statistics in the inverse as well – what percentage of the LIHTC units have been in Non-Impacted Areas?

	% of Units in below Average Minority Areas	% of Units in above Average Income Areas
Dallas	23%	12%
Fort Worth	44%	28%
Austin	14%	24%
Houston	28%	22%

Charts graphically showing these statistics are enclosed.

These statistics and charts glaringly show that TDCHA's and the BRB's funding decisions, arising out of the QAP's and Bond Rules in prior years, have continued to pigeonhole low income people in Impacted Areas, in direct opposition to the federal goal and mandate to further desegregation.

An Overview of Federal Fair Housing Laws¹

Background: Forty years ago, widespread racial segregation threatened to rip civil society asunder. In response, Congress adopted broad remedial provisions to promote integration. One such statute, [the Fair Housing Act (the "FHA")], was enacted "to provide, within constitutional limitations, for fair housing throughout the United States."²

The legislative history of Title VIII reveals how relevant that law is to TDHCA's and the BRB's failure to consider the racially- and economically-segregative effects of their funding decisions. Title VIII's passage in 1968 was the product of a tumultuous period in urban America. On July 27, 1967, President Lyndon Johnson appointed the National Advisory Commission on Civil Disorders (the "**Kerner Commission**"), which was led by Chairman Otto Kerner, to study the urban riots that had occurred throughout the county, especially the July 1967 riots. With regard to the riots, the President directed the Commission to answer three questions: What happened, why did it happen, and what can be done to prevent it from happening again?

The Kerner Commission in its March 1, 1968 report stated in the "Summary of Report" as follows:

This is our basic conclusion: Our nation is moving toward two societies, one black, one white—separate and unequal Discrimination and segregation have long permeated much of American life; they now threaten the future of every American. This deepening racial division is not inevitable. The movement apart can be reversed. Choice is still possible. Our principal task is to define that choice and to press for a rational resolution. To pursue our present course will involve the continuing polarization of the American community, and, ultimately, the destruction of basic democratic values.

The Kerner Commission continued on page 2 (of the New York Times 1968 edition) as follows:

Segregation and poverty have created in the racial ghetto a destructive environment totally unknown to most white Americans.

What white Americans have never fully understood—but what the Negro can never forget—is that white society is deeply implicated in the ghetto. White institutions created it, white institutions maintain it, and white society condones it.

It is time now to turn with all the purpose at our command to the major unfinished business of this nation. It is time to adopt strategies for action that will produce quick and visible progress. It is time to make good the promise of American democracy to all citizens—urban and rural, white and black, Spanish-surname, American Indian and every minority group.

¹ The work of the Lawyers' Committee for Civil Rights under Law and their lawyers and representatives with respect to the New Jersey 2002 QAP was essential to the preparation of this document, and is quoted extensively herein.

² Huntington Branch NAACP v. Town of Huntington.

In reviewing conditions of life in the racial ghetto, the Commission concluded on pages 12-14 as follows:

A striking difference in environment from that of white, middle-class Americans profoundly influences the lives of residents of the ghetto, defined as "an area within a city characterized by poverty and acute social disorganization, and inhabited by members of a social or ethnic group under conditions of involuntary segregation.

The difference in environment is exemplified by:

- ❖ Crime rates, consistently higher than other areas, create a pronounced sense of insecurity.
- ❖ Poor health and sanitation conditions in the ghetto result in higher mortality rates, a higher incidence of major diseases, and lower availability and utilization of medical services.
- ❖ Employment problems, aggravated by the constant arrival of new unemployed migrants, many of them from depressed rural areas, create persistent poverty in the ghetto. Employment problems have drastic social impact in the ghetto. Men who are chronically unemployed or employed in the lowest status jobs are often unable or unwilling to remain with their families. The handicap imposed on children growing up without fathers in an atmosphere of poverty and deprivation is increased as mothers are forced to work to provide support
- ❖ The culture of poverty that results from unemployment and family breakup generate a system of ruthless, exploitable relationships in the ghetto. Prostitution, dope addiction, and crime create an environmental "jungle" characterized by personal insecurity and tension. Children growing up under such conditions are likely participants in civil disorder

The Kerner Commission, on pages 21-23 of the report, assessed the future of urban America as follows:

By 1985, the Negro population in central cities is expected to increase by 72 percent to approximately 20.8 million. Coupled with the continued exodus of white families to the suburbs, this growth will produce Negro populations in many of the nation's largest cities.

The future of these cities, and of their burgeoning Negro populations, is grim. Most new employment opportunities are being created in suburbs and outlying areas. This trend will continue unless important changes in public policy are made. In prospect, therefore, is further deterioration of already inadequate municipal tax bases in the face of increasing demands for public services, and continuing unemployment and poverty among Negro population:

Three choices are open to the nation:

- ❖ We can maintain present policies, continuing both the proportion of the nation's resources now allocated to programs for the unemployed and the disadvantaged, and the inadequate and failing effort to achieve an integrated society.
- ❖ We can adopt a policy of "enrichment" aimed at improving dramatically the quality of ghetto life while abandoning integration as a goal.
- ❖ We can pursue integration by combining ghetto "enrichment" with policies which will encourage Negro movement out of central city areas.

The first choice, continuance of present policies, has ominous consequences for our society. The share of the nation's resources now allocated to programs for the disadvantaged is insufficient to arrest the deterioration of life in central city ghettos. . . To continue present policies is to make permanent the divisions of our country into two societies: one, largely Negro and poor, located in the central cities; the other, predominantly white and affluent, located in the suburbs and in outlying areas.

The second choice, ghetto enrichment coupled with abandonment of integration, is also unacceptable. It is another way of choosing a permanently divided country. Moreover, equality cannot be achieved under conditions of nearly complete segregation. In a country where the economy, and particularly the resources of employment, are predominantly white, a policy of separation can only relegate Negroes to a permanently inferior economic status.

We believe that the only possible choice for America is the third—a policy which combines ghetto enrichment with programs designed to encourage integration of substantial numbers of Negroes into the society outside of the ghetto.

Enrichment must be an important adjunct to integration, for no matter how ambitious or energetic the program, few Negroes now living in central cities can be quickly integrated. In the meantime, large scale improvement in the quality of ghetto life is essential.

But this can be no more than an interim strategy. Programs must be developed which will permit substantial Negro movement out of the ghettos. The primary goal must be a single society, in which every citizen will be free to live and work according to his capabilities and desires, not his color. (Emphasis added)

In a section titled "Recommendations for National Action," on page 23 of the report, the Commission stated as follows:

The major goal is the creation of a true union—a single society and a single American identity. Toward that goal, we propose the following objective for national action:

- ❖ Opening up opportunities to those who are restricted by racial segregation and discrimination, and eliminating all barriers to their choice of jobs, education and housing.

Regarding what steps should be taken to reach that "major goal" the Kerner Commission set forth its recommendation as follows:

- ❖ Federal housing programs must be given a new thrust aimed at overcoming the prevailing patterns of racial segregation. If this is not done, those programs will continue to concentrate the most impoverished and dependent segments of the population into the central-city ghettos where there is already a critical gap between the needs of the population and the public resources to deal with them.

The Commission recommends that the federal government:

- ❖ Enact a comprehensive and enforceable federal open housing law to cover the sale or rental of all housing, including single family homes.
- ❖ Reorient federal housing programs to place more low and moderate income housing outside of the ghetto areas.

(Emphasis added)

When Congress sat down to respond to the problems identified by the Kerner Commission, it set out to reverse the trend toward residential racial segregation:

Difficult as housing integration may be to achieve, it is clear that this goal was important to the Congress that passed the 1968 Fair Housing Act. Proponents of Title VIII in both the Senate and the House repeatedly argued that the new law was intended not only to expand housing choices for individual blacks, but also to foster racial integration for the benefit of all Americans. For example, Senator Mondale, the principle sponsor of the fair Housing Act, decried the prospect that “we are going to live separately in white ghettos and Negro ghettos.” The purpose of Title VIII, he said, was to replace the ghettos “by truly integrated and balanced living patterns.” On the House side, Congressman Celler, the Chairman of the Judiciary Committee, spoke of the need to eliminate “the blight of segregated housing and the pale of the ghetto,” and Congressman Ryan saw Title VIII as a way to help achieve the aim of an integrated society. Aware of the conclusion of the Commission on Civil Disorders that the nation was dividing into two racially separate societies and the problems associated with them—segregated schools, lost suburban job opportunities for minorities, and the alienation of whites and blacks caused by the “lack of experience in actually living next” to each other. The intended beneficiaries of Title VIII were not only blacks and other minority groups, but, as Senator Javits said in supporting the bill, “the whole community.”

This legislative history makes clear that residential racial integration is a major goal of the Fair Housing Act, separate and apart of the goal of expanding minority housing opportunities. (Emphasis added)³

The US Supreme Court has observed that in the FHA “Congress has made a strong national commitment to promote integrated housing.” The Second Circuit has observed that the Act was intended to promote “open, integrated residential housing patterns and to prevent the increase of segregation, in ghettos, of racial groups whose lack of opportunities the Act was designed to combat.” As Senator Mondale, the bill’s author, said, the proposed law was designed to replace the ghettos “by truly integrated and balanced living patterns.” Integration is

³ [Robert G. Schwemm, Housing Discrimination: Law and Litigation § 2.3, at 2-6 to 2-7 (West Group 2001)(emphasis added).] See also *Trafficante v. Metropolitan Life Insurance Co.*, 409 U.S. 205, 211 (1972)(quoting Senators Mondale and Javits in discussion of broad role of Title VIII in redressing urban racial segregation); *id.* at 209, 211-12 (discussing broad construction of Title VIII necessary to effect policy Congress considered to be of “highest priority”).

an important goal of the FHA.⁴ Congress intended that broad application of the anti-discrimination provisions would ultimately result in residential integration.⁵

Among other things, the FHA reflects “the recognition that in the area of public housing local authorities can no more confine low-income blacks to a compacted and concentrated area than they can confine their children to segregated schools.”⁶ The FHA expressly provides that any state law “that purports to require or permit any action that would be a discriminatory housing practice under this subchapter shall to that extent be invalid.”⁷

The Specifics & The States’ Obligations under the FHA. The FHA provides in pertinent part as follows:

1. It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States.
2. All executive departments and agencies shall administer their programs and activities relating to housing and urban development (including any Federal agency having regulatory or supervisory authority over financial institutions) in a manner **affirmatively to further** the purposes of this title and shall cooperate with the Secretary to further such purposes.⁸ [Emphasis added]

“Courts [have] emphasized that one of the act’s purposes and, specifically, the ‘affirmatively to further’ requirement was to ensure that ‘action ... be taken to fulfill, as much as possible, the goal of open, integrated residential housing patterns and to prevent the increase of segregation, in ghettos, of racial groups whose lack of opportunities the Act was designed to combat.’ Otero v. New Your City House. Auth.; see also Shannon v. HUD (“Possibly before 1964 the administrators of the federal housing programs could ... remain blind to the very real effect that racial concentration has had in the development of urban blight. Today such color blindness is impermissible.”) ... This race-conscious reading of the FHA’s affirmative obligations -- considering the effect of housing programs on racial concentration -- continues to this day.”⁹

HUD has promulgated regulations addressing how it will comply with Title VIII. The IRS, consistent with its Title VIII obligations, has by reference adopted HUD’s regulatory scheme as a part of the Title VIII compliance scheme with which allocating agencies and LIHTC developers must comply. There is one Treasury Department LIHTC civil rights regulation, 26 CFR Sec. 1.42-9(a), which mandates compliance with HUD directives. Specifically, the “regulation provides that eligibility for the LIHTC requires that ‘the unit is rented in a manner consistent with housing policy governing non-discrimination, as evidenced by rules or regulations of the Department of Housing and Urban Development, including Chapters I through XX of Title 24 of the Code of Federal Regulations, and the HUD Handbook.” Section 1.42-9(a). The Treasury regulation is a welcome recognition of the pertinence of fair housing law to the LIHTC program.

⁴ Trafficante v. Metropolitan Life Insurance Co.

⁵ Huntington Branch NAACP.

⁶ Crow v. Brown.

⁷ 42 USC 3615.

⁸ The duty of all executive departments to affirmatively further fair housing has been reinforced in Executive Order 11063: “I hereby direct all departments and agencies in the executive branch, insofar as their functions relate to the provision ... of housing ... to take all action necessary and appropriate to prevent discrimination because of race, color, creed or national origin ... if such property and related facilities are ... provided in whole or in part with the aid of loans, advances, grants, or contributions hereafter agreed to be made by the Federal Government.”

⁹ Brief in Support of Lawyers’ Committee for Civil Rights under Law’s Motion for Leave to Appear in In re: Adoption of the 2002 Low Income Housing Tax Credit Qualified Allocation Plan for New Jersey (the “New Jersey Brief”).

¹⁰ Among other relevant provisions, 24 C.F.R. § 941.202, which is codified as part of Chapter IX of Title 24 of the Code of Federal Regulations (and thus incorporated into IRS requirements by 26 C.F.R. § 1.42-9(a)), provides in relevant part as follows:

§ 941.202 Site and neighborhood standards.

Proposed sites for public housing projects to be newly constructed or rehabilitated must be approved by the field office as meeting the following standards:

...
(b) The site and neighborhood must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11063, and HUD regulations issued pursuant thereto.

(c) (1) The site for new construction projects must not be located in:

(i) An area of minority concentration unless (A) sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration, or (B) the project is necessary to meet overriding housing needs which cannot otherwise feasibly be met in that housing market area. An "overriding need" may not serve as the basis for determining that a site is acceptable if the only reason the need cannot otherwise feasibly be met is that discrimination on the basis of race, color, religion, creed, sex, or national origin renders sites outside areas of minority concentration unavailable; or

(ii) A racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

...
(d) The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.

(e) The site must be free from adverse environmental conditions, natural or manmade, such as instability, flooding, septic tank back-ups, sewage hazards or mudslides; harmful air pollution, smoke or dust; excessive noise vibration, vehicular traffic, rodent or vermin infestation; or fire hazards. The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable elements predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

...
(g) The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of similar unassisted standard housing.

(emphasis added).

HUD's site selection criteria state clearly their aim of preventing increases in minority concentration due to locations chosen for subsidized housing. Specifically, HUD's regulations for public housing require that "[t]he site for new construction projects must not be located in [a]n area of minority concentration" unless specified exceptions are met, including the existence of "sufficient, comparable opportunities for housing for minority families, in the income range to

¹⁰ Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Law, 52 U. Miami Law Rev. 1011.

be served by the proposed project, outside areas of minority concentration."¹¹ In addition, "[t]he site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons."¹² "[A]s the Seventh Circuit has noted, such regulations exist because, '[a]s a part of HUD's duty under the Fair Housing Act, an approved housing project must not be located in an area of undue minority concentration, which would have the effect of perpetuating racial segregation.'"¹³

24 C.F.R. § 941.202(b) specifically identifies Executive Order 11063 as another source of law with which LIHTC and Bond allocating agencies, such as TDHCA and the BRB, must comply. Executive Order 11063, "Equal Opportunity in Housing," which was issued by President John F. Kennedy, 27 F.R. 11527 (Nov. 20, 1962), and amended by Presidents Jimmy Carter, Ex. Ord. No. 12259, 46 F.R. 1253 (Dec. 31, 1980), and William J. Clinton, Ex. Ord. No. 12892, 59 F.R. 2939 (Jan. 17, 1994), identifies its purposes as follows:

WHEREAS the granting of Federal assistance for the provision, rehabilitation, or operation of housing and related facilities from which Americans are excluded because of their race, color, creed, or national origin is unfair, unjust, and inconsistent with the public policy of the United States as manifested in its Constitution and laws; and

WHEREAS the Congress in the Housing Act of 1949 . . . had declared that the general welfare and security of the Nation and the health and living standards of its people require the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family; and

WHEREAS discriminatory policies and practices based upon race, color, creed, or national origin now operate to deny many Americans the benefits of housing financed through Federal assistance and as a consequence prevent such assistance from providing them with an alternative to substandard, unsafe, unsanitary, and overcrowded housing; and

WHEREAS such discriminatory policies and practices result in segregated patterns of housing and necessarily produce other forms of discrimination and segregation which deprive many Americans of equal opportunity in the exercise of their unalienable rights to life, liberty, and the pursuit of happiness; and

¹¹ 24 CFR Section 941.202(c)(1)(i).

¹² 24 CFR Section 941.202(d). Indeed, HUD's other subsidized housing programs impose virtually identical standards for site selection, requiring state implementing agencies to affirmatively further fair housing through consideration of a project's effect on desegregation. For example, all Section 8 rehabilitation units and new construction sites must comply with standards furthering the Fair Housing Act. See 24 CFR Section 983.6(b)(3)(i), (ii) Similarly, site selection decisions in the program for supportive housing for the elderly and persons with disabilities must likewise be outside areas of minority concentration, subject to the same exceptions. See 24 CFR Section 891.125(c)(1). New Jersey Brief.

¹³ New Jersey Brief, citing *Alschuler v. HUD*.

WHEREAS the executive branch of the Government, in faithfully executing the laws of the United States which authorize Federal financial assistance, directly or indirectly, for the provision, rehabilitation, and operation of housing and related facilities is charged with an obligation and duty to assure that those laws are fairly administered and that benefits thereunder are made available to all Americans without regard to their race, color, creed, or national origin:
[Emphasis added.]

Executive Order 11063 directs executive agencies involved in the provision of housing and, in view of 26 C.F.R. § 1.42-9(a), LIHTC and Bond allocating agencies such as TDHCA and the BRB, to act to end discriminatory policies and practices that "result in segregated patterns of housing and necessarily produce other forms of discrimination and segregation" as follows:

Section 101. I hereby direct all departments and agencies in the executive branch of the Federal Government, insofar as their functions relate to the provision, rehabilitation, or operation of housing and related facilities, to take all action necessary and appropriate to prevent discrimination because of race, color, religion (creed), sex, disability, familial status or national origin--

(a) in the sale, leasing, rental, or other disposition of residential property and related facilities (including land to be developed for residential use), or in the use or occupancy thereof, if such property and related facilities are--

(i) owned or operated by the Federal Government, or

(ii) provided in whole or in part with the aid of loans, advances, grants, or contributions hereafter agreed to be made by the Federal Government, or

(iii) provided in whole or in part by loans hereafter insured, guaranteed, or otherwise secured by the credit of the Federal Government, or

(iv) provided by the development or the redevelopment of real property purchased, leased, or otherwise obtained from a State or local public agency receiving Federal financial assistance for slum clearance or urban renewal with respect to such real property under a loan or grant contract hereafter entered into; and

(b) in the lending practices with respect to residential property and related facilities (including land to be developed for residential use) of lending institutions, insofar as such practices relate to loans hereafter insured or guaranteed by the Federal Government.

Sec. 102. I hereby direct the Department of Housing and Urban Development and all other executive departments and agencies to use their good offices and to take other appropriate action permitted by law, including the institution of appropriate litigation, if required, to promote the abandonment of discriminatory practices with respect to residential property and related facilities heretofore provided with Federal financial assistance of the types referred to in Section 101(a)(ii), (iii), and (iv).

Pursuant to 42 U.S.C.A. § 3608(d), 26 C.F.R. § 1.42-9(a), 24 C.F.R. § 941.202, and Executive Order 11063, TDHCA's allocation of Light's and the BRB's administration of the Bonds is required to be done with racially integrative guidelines at the fore.

An unbroken line of cases demonstrates that the FHA's "affirmatively furthering" requirement applies to state and local agencies using federal funds. Otero v. New York City Housing Authority; Blackshear Res. Org. v. Housing Authority of City of Austin; Banks v. Perk.

The LIHTCs and Bonds are managed by the States, but are clearly federal funds. A brief challenging the New Jersey tax credit allocation process for failure to consider the racial and socio-economic impact of the New Jersey QAP pointed out that “[T]he duty affirmatively to further fair housing in site selection applies equally to those programs where the sites are proposed by private developers rather than selected by HUD or the local public housing authority. See, e.g., *Alschuler*, 686 F.2d at 474-79 (private developer proposed site location). “Courts have also recognized that the [affirmatively further] duties apply to such state entities [participating in subsidized housing programs]. Indeed, shortly after the passage of the Fair Housing Act, the Second Circuit in *Otero v. New York City Housing Authority*, 484 F.2d 1122 (21d Cir. 1973), affirmed the duty of local public housing authorities to consider racial integration when selecting public housing tenants. *Id.* at 1133-34. ...

“We are satisfied that the affirmative duty placed on the Secretary of HUD by Section 3608(e)(5) and through him on other agencies administering federally-assisted housing programs also requires that consideration be given to the impact of proposed public housing programs on the racial concentration in the area in which the proposed housing is to be built. Action must be taken to fulfill, as much as possible, the goal of open, integrated residential housing patterns and to prevent the increase of segregation, in ghettos, of racial groups whose lack of opportunities the [Fair Housing Act] was designed to combat.” *Id.* at 1133-34. ... Since HUD and the federal defendants had previously been dismissed from that case, see *id.* at 1130 n. 11, the affirmative duty claims lay only against the local housing authority -- a state agency. Thus, the Second Circuit’s decision was unequivocal; under the Fair Housing Act, state and local entities are subject to the same affirmative duties imposed on HUD.

.....

Other courts have since affirmed *Otero*, noting that, like HUD, state entities which administer subsidized housing programs have an affirmative duty to promote integrated housing opportunities and avoid creation of areas of minority concentration. See, e.g., *Reese v. Miami-Dade County*, 210 F. Supp. 2d 1324, 1329 (S.D. Fla. 2002) (in challenge to county’s administration of HOPE VI demolition and rehabilitation program, noting that “the Court finds that the duty to affirmatively further fair housing imposes a binding obligation upon the States”); *Project B.A.S.I.C. v. Kemp*, 776 F. Supp. 637 (D.R.I. 1991) (claims against both HUD and public housing authority); *Blackshear Residents Organization v. Housing Authority of the City of Austin*, 347 F. Supp. 1138, 1148 (W.D. Tex. 1971) (“both the housing authority and HUD are charged with the affirmative obligation to further” the goals of the Fair Housing Act). As one decision summarized, “for the past thirty years, claims arising under [the Fair Housing Act] and Section 3608(e)(5) have been enforced consistently with *Otero* -- recognizing an affirmative duty imposed upon the Secretary of HUD and through him on entities like the PHAs [public housing authorities].” *Langlois v. Abington Housing Authority*, 234 F. Supp. 2d 33, 73 (D. Mass. 2002) ... “When viewed in the larger context of [the Fair Housing Act], the legislative history, and the case law, there is no way -- at least, none that makes sense -- to construe the boundary of the duty to affirmatively further fair housing as ending with the Secretary.”

.....

Thus, a review of the Fair Housing Act, its implementing regulations, and cases interpreting its provisions, make clear that the affirmative obligations to further fair housing principles apply with equal force and directly to HUD and to any local or state entities implementing federal housing programs. The applicability of this affirmative obligation -- particularly in the consideration of relevant racial and socio-economic factors in program site selection for both the LIHTC and other federal housing programs -- to state and local entities is essential to ensuring that federal housing programs promote integrated housing opportunities and avoid creation of minority concentration.¹⁴

In one case, "the First Circuit held that Section 3608 requires that the federal agency must 'consider [the] effect [of a grant] on the racial and socio-economic composition of the surrounding area.' ... The First Circuit held HUD liable for 'failure, over time, to take seriously its minimal Title VIII obligation to evaluate alternative courses of action in light of their effect upon open housing.' It held HUD liable not for something that it did but for not doing what it was obliged to do, for accepting only cosmetic, ineffectual fair housing efforts by the City of Boston and for not having 'used ... its immense leverage' under the UDAG program 'to provide adequate desegregated housing'"¹⁵

Given this background, it is clear that all federal housing programs, including the tax credit and tax-exempt bond programs, and the States, Counties and local governments in administering these programs, such as LIHTCs and tax-exempt bonds, must further the national policy of integrated housing by considering the racial and socio-economic impact of their funding decisions. Read together, these sources of law indicate plainly that TDHCA and the BRB are obliged to affirmatively further the policies of Title VIII by promoting racial integration and collecting data to permit it to assess its compliance with anti-discrimination housing laws. More specifically, "[t]o comply with their affirmative obligations under the Fair Housing Act, agencies implementing federally-subsidized housing programs must consider, during site selection, the impact of the housing created on maintaining or eroding segregated patterns of racial concentration."¹⁶ In Shannon v. HUD, 436 F.2d 809 (3d Cir. 1970) (cited with approval in Trafficante, supra, 409 U.S. at 211), the Third Circuit held that Title VIII prohibits federal agencies involved in housing from making funding decisions "without some institutionalized method whereby, in considering site selection or type selection, it has before it the relevant racial and socio-economic information necessary for compliance with its duties under the 1964 and 1968 Civil Rights Acts." Id. at 821 (emphasis added). See also Otero, supra 484 F.2d at 1134 ("[W]e are satisfied that the affirmative duty placed on the Secretary of HUD . . . and through him on other agencies administering federally-assisted housing programs also requires that consideration be given to the impact of proposed public housing programs on the racial concentration in the area in which the proposed housing is to be built.")

Notwithstanding the directions of federal law that require TDHCA and the BRB to comply with those anti-discrimination laws, TDHCA and the BRB, in large part due to the legislation governing the QAP and the Bond Rules, are either choosing not or cannot, in fact, acknowledge that they are required to promote racial integration, as the statistics presented earlier clearly show. **This failure to focus on the need for desegregation in the LIHTC and Bond**

¹⁴ New Jersey Brief.

¹⁵ NAACP Boston Chapter, as summarized in Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Law, 52 U. Miami Law Rev. 1011.

¹⁶ New Jersey Brief.

programs in Texas is particularly harmful, as the LIHTC and Bond programs are currently the nation's most significant low-income housing programs.¹⁷

Texas is not alone in this regard. As one commentator has noted: "Despite massive governmental involvement, the LIHTC program operates without effective regard to civil rights laws, due primarily to the fact that the Treasury and state and local agencies have failed to impose meaningful bars to discrimination. The Treasury and state and local agencies administering the LIHTC lack information regarding the extent of discrimination or segregation in the program. **What little information is available suggests that tax credit developments are racially segregated** The federal housing programs which began in the 1930's have effectively imposed and enhanced racial segregation causing 'lasting damage.' **The LIHTC program seems now to be repeating those past errors.**"¹⁸ [Emphasis added]

Notwithstanding the applicability of the FHA to LIHTCs and Bonds, the States and the federal government have not adequately addressed their responsibilities for making funding decisions that evaluate the segregative or desegregative effects, the racial and socio-economic implications, of the location of federally financed housing.¹⁹

State Implementation: Lack of Data on Racial and Socio-Economic Consequences of Funding Decisions

Even given these directives, TDCHA and the BRB do not utilize, to use the language of the court decisions, any "institutionalized method whereby, in considering site selection or type selection, it has before it the relevant racial and socio-economic information" on the areas in which LIHTC and Bond developments are located. By totally ignoring the segregative effects of their funding decisions, and by focusing on funding poverty in place, TDCHA's administration of the federal LIHTC program and the BRB's administration of the Bond Program perpetuate and exacerbate racial segregation. To be fair to TDCHA and the BRB, it should be noted that a significant majority of TDCHA's QAP provisions and the Bond Rules are dictated by state legislation, and TDCHA and the BRB have very little authority to alter the statutory provisions. **Nonetheless, as entities that receive and distribute federal funds, TDCHA and the BRB are required to act affirmatively to end racial segregation and to stem the tide of urban ghettoization. TDCHA and the BRB must do so even if the changes required to the QAP and the Bond Rules, in order to further desegregation, violate existing state law as dictated by the legislature, as federal FHA law is clearly superior to state law.** This affirmative obligation of federal law has been ignored by the legislature in enacting the statutory provisions governing TDCHA and the BRB and has been further ignored by TDCHA and the

¹⁷ Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Law, 52 U. Miami Law Rev. 1011. "The Low Income Housing Tax Credit program is 'currently the largest federal program to fund the development and rehabilitation of housing for low-income households.' General Accounting Office, Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program Sec. 2 (March 1997)." "With the withdrawal of federal support for most other subsidized housing development programs, the LIHTC program stands as essentially "the only game in town." 24 CFR Sec. 81 (1998) (explaining that the LIHTC program is "the only major Federal assistance program ... that is currently active for funding new or rehabilitated subsidized housing units.")

¹⁸ Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Law, 52 U. Miami Law Rev. 1011.

¹⁹ Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Law, 52 U. Miami Law Rev. 1011. "[A]ll federal agencies have been under a statutory mandate since 1968 'affirmatively to further' non-discrimination and desegregation. ... Perhaps the most blatant of the federal shortcomings is the failure of the nation's largest subsidized housing program to secure information about its compliance with civil rights laws and to act effectively to prevent discrimination and segregation."

BRB in promulgating the QAP and the Bond Rules. This blind indifference to racial segregation, and utter failure to satisfy the affirmative duty to promote racial and economic integration, is plainly in contravention of IRS regulations, HUD regulations and federal anti-discrimination laws.

The fact that the segregative effects arise latently from the QAP and the Bond Rules does not excuse TDCHA and the BRB from an obligation to consider these effects. "The complaint that analytically no violation of equal protection vests unless the inequalities stem from a deliberately discriminatory plan is simply false. Whatever the law was once, it is a testament to our maturing concept of equality that, with the help of Supreme Court decisions in the last decade, we now firmly recognize that the arbitrary quality of thoughtlessness can be as disastrous to private rights and the public interest as the perversity of a willful scheme." Hobson v. Hansen.

That TDCHA, the BRB and the legislature have not considered these sources of law is reflected most clearly by the continued focus on funding housing in neighborhoods that are already Impacted Areas -- racially-segregated and economically disadvantaged.

Given the statistics cited earlier, it is readily apparent that the QAP and the Bond Rules have resulted in the funding of LIHTC and Bond/LIHTC developments without regard to racial or low income concentrations, in violation of the FHA. By their failure to adopt regulations that incorporate these guidelines on site selection, or that otherwise consider the racial impact of Texas' LIHTC allocations and Bond awards, TDCHA and the BRB are violating their obligations to affirmatively further fair housing and implement housing programs in a desegregative manner. **To comply with their affirmative obligations under the Fair Housing Act, agencies implementing federally-subsidized housing programs must consider, during site selection, the impact of the housing created on maintaining or eroding segregated patterns of racial concentration.**²⁰

The Shannon court suggested the following criteria may be appropriately included in the institutionalized method required by 42 U.S.C.A. §3608(d):

1. What procedures were used by the LPA [Local Public Agency] in considering the effects on racial concentration when it made a choice of site or of type of housing?
2. What tenant selection methods will be employed with respect to the proposed project?
3. How has the LPA or the local governing body historically reacted to proposals for low income housing outside areas of racial concentration?
4. Where is low income housing, both public and publicly assisted, now located in the geographic area of the LPA?
5. Where is middle income and luxury housing, in particular middle income and luxury housing with federal mortgage insurance guarantees, located in the geographic area of the LPA?
6. Are some low income housing projects in the geographic area of the LPA occupied primarily by tenants of one race, and if so, where are they located?
7. What is the projected racial composition of tenants of the proposed project?
8. Will the project house school age children and if so what schools will they attend and what is the racial balance in those schools?

²⁰ New Jersey Brief.

9. Have the zoning and other land use regulations of the local governing body in the geographic area of the LPA had the effect of confining low income housing to certain areas, and if so how has this effected racial concentration?

10. Are there alternative available sites?

11. At the site selected by the LPA how severe is the need for restoration, and are other alternative means of restoration available which would have preferable effects on racial concentration in that area?

[Shannon, supra, 436 F.2d at 821-22]

By considering such criteria, housing agencies are able to evaluate whether locating affordable housing in a given site offends Section 3608(d). "[T]he [housing] agency's judgment must be an informed one; one which weighs the alternatives and finds that the need for physical rehabilitation or additional minority housing at the site in question clearly outweighs the disadvantage of increasing or perpetuating racial concentration." Id. at 822. See also Business Ass'n of University City v. Landrieu, 660 F.2d 867, 877 (3d Cir. 1981) (discussing Shannon and HUD's promulgation of "regulations requiring its officials to consider, prior to the approval of a new low income housing project, the impact of the project on the concentration of racial and low income persons"); 24 C.F.R. § 941.202 (present HUD site selection criteria). Although locating more affordable housing in racially-segregated areas may be permitted under some circumstances, the presumption of 3608(d) against exacerbating segregated housing trends is not easily overcome:

To allow housing officials to make decisions having the long range effect of increasing or maintaining racially segregated housing patterns merely because minority groups will gain an immediate benefit would render such persons willing, and perhaps unwitting, partners in the trend toward ghettoization of our urban centers.

There may be some instances in which a housing decision will permissibly result in greater racial concentration because of the overriding importance of other imperative factors in furtherance of national housing goals. But Congress' desire in providing fair housing throughout the United States was to stem the spread of urban ghettos and to promote open, integrated housing, even though the effect in some instances might be to prevent some members of a racial minority from residing in publicly assisted housing in a particular location. The affirmative duty to consider the impact of publicly assisted housing programs on racial concentration and to act affirmatively to promote the policy of fair, integrated housing is not to be put aside whenever racial minorities are willing to accept segregated housing. The purpose of racial integration is to benefit the community as a whole, not just certain of its members.²¹

Presently, TDHCA and the BRB have no "institutionalized method" for considering whether LIHTC cycle allocations and LIHTC and/or Bond/LIHTC-funded projects perpetuate, exacerbate, or reduce racial segregation. TDHCA's administration of the LIHTC program and the BRB's administration of the Bond Program thus contravene 26 C.F.R. § 1.42-9(a) and 42 U.S.C.A. § 3608(d). TDHCA and the BRB at a minimum must collect data that will permit them to analyze the segregative or integrative effects of their cycle-allocation and project funding decisions and must include site selection criteria in the QAP and the Bond Rules that permit funding in areas of high minority concentration only when there is an overwhelming need,

²¹ Otero, supra 484 F.2d at 1134-35 (emphasis added).]

a concerted community revitalization plan, and no other location for the proposed affordable housing exists.

The FHA and QAP Notification Provisions & Political Support Points

Recently, State law has been altered to give some preferential treatment to developments in higher income, predominantly suburban, areas. The QAP provides for additional points for developments located in a census tract which has a median family income that is higher than the median family income for the county in which the census tract is located. We call this preference area a "high income census tract." Similarly, the Bond Rules provide that "Priority 1" transactions, which have first priority at the bonds reserved for multifamily developments, include those developments "which are located in a census tract in which the median income ... is higher than the median income for the county, metropolitan statistical area, or primary metropolitan statistical area in which the census tract is located." Although from a FHA standpoint this focus on higher income census tracts is welcome, the scoring item (and bond preference item) for higher income census tracts is merely one of a number of site selection scoring options, including lower income, primarily minority areas.

Contravening this move to decentralize affordable housing into the suburbs are the notification provisions of the QAP. The QAP provides that all applicants for LIHTCs must notify homeowner associations, as follows:

B) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted.

(i) Notification to Local Elected Officials for Neighborhood Organization Input. Evidence must be provided that a letter requesting information on 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 ... was sent no later than December 20, 2004 to the local elected official for the city If the Development is located in a jurisdiction that has district based local elected officials, or both at-large and district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the Development is located in a jurisdiction that has only at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. ... For urban/exurban areas, entities identified in the letter from the local elected official whose boundaries include the proposed Development whose listed address has the same zip code as the zip code for the Development must be provided with written notification, and evidence of that notification must be provided. If any other zip codes exist within a half mile of the Development site, then all entities identified in the letters with those adjacent zip codes must also be provided with written notification, and evidence of that notification must be provided.

In responding to a request for information on homeowners associations, many cities take the conservative position of listing all neighborhood organizations in the area and in adjoining zip codes within ½ mile of the site. For a recent Fort Worth LIHTC application, 19 homeowner organizations were required to be notified.

In addition, the QAP requires that the following political officials be notified:

- Superintendent of the school district containing the Development.
- Presiding officer of the board of trustees of the school district containing the Development.
- Mayor of any municipality containing the Development.
- All elected members of the governing body of any municipality containing the Development.
- Presiding officer of the governing body of the county containing the Development.
- All elected members of the governing body of the county containing the Development.
- State senator of the district containing the Development.
- State representative of the district containing the Development.

Many cities have 6 city council members and many counties have 6 county commissioners, resulting in a total of 18 political officials being notified of the development.

The practical effect of this extensive pre-application notification of homeowners and political officials is to mobilize NIMBY opposition to LIHTC developments, particularly in the suburbs where the apartment site may be adjacent to or in the neighborhood of \$150,000-\$350,000 homes. This level of opposition is not normally seen in the lower income, primarily minority areas, such that many developers choose to avoid the higher income areas and NIMBY opposition, thereby continuing the concentration of tax credit housing in Impacted Areas.

The QAP also requires that all applicants post a sign on the property that in essence says that an application has been filed with TDHCA for a LIHTC supported apartment complex.

The QAP does not stop at notifications, but further institutionalizes NIMBY by providing points for support letters from the State Senator and State Representative from the area and from neighborhood organizations, and negative points for opposition letters from these elected officials and neighborhood organizations..

Letters from State of Texas Representative or Senator: support letters are 7 points each for a maximum of 14 points; opposition letters are -7 points each for a maximum of -14 points.

Furthermore, letters of support from an appropriate neighborhood organization can qualify a LIHTC application for up to 24 points, whereas a letter of opposition results in zero points.

The net effect of these positive or negative letters is a 52 point swing for these support letters. In sum total, the effect of the these point scoring provisions for letters from State Representatives, State Senators and neighborhood organizations (the "**NIMBY Scoring Provisions**") is to provide an institutionalized means for objecting homeowners to eliminate any affordable housing in their neighborhoods. Many city council members now understand this procedure and use it effectively to their political advantage whenever a tax credit transaction is proposed in their district. In a typically tight scoring matrix for the award of credits, where a point or two can determine whether a particular transaction is awarded LIHTCs, suburban homeowners motivated by NIMBY can easily sway their State Representatives, State Senators and neighborhood groups to write opposition letters, thereby allowing NIMBY to deny developments in the suburbs.

TDHCA's Analysis of Impediments correctly identifies the NIMBY problem as one which is an impediment to fair housing. However, as shown above, **rather than effectively addressing the impediment, the QAP notification rules and NIMBY Scoring Provisions encourage NIMBY.**

The interplay of these types of notification provisions and the FHA was recently analyzed in a case concerning disabled adults, another protected class under the FHA. In Larkin v. Michigan Protection and Advocacy Service, the Court held that the notification provisions of the Adult Foster Care Licensing Act are preempted by the FHA and violate the equal protection clause of the 14th Amendment. "The notice requirements required the state agency responsible to then notify all residents within 1500 feet of the proposed facility, and the local authorities to AFC [Adult Foster Care] facilities which will house the disabled, and not to other living arrangements." The Court noted that "statutes that single out for regulation group homes for the handicapped are facially discriminatory. ... Accordingly, this is a case of intentional discrimination or disparate treatment, rather than of disparate impact." (Emphasis added) The Court continued: "Notifying the municipality or the neighbors of the proposed AFC facility seems to have little relationship to the advancement of these goals [integration and deinstitutionalization]. In fact, **such notice would more likely have quite the opposite effect, as it would facilitate the organized opposition to the home, and animosity towards its residents.** ... **We find that the notice requirements violate the FHAA and are preempted by it.**" (Emphasis added)

Similarly, the notification provisions in the QAP, which are dictated by legislation governing TDCHA and the LIHTC program, single out affordable housing, which is significantly beneficial to minorities, another protected class under the FHA. There are no similar notification provisions for any other type of housing in Texas – market rate multifamily apartments, townhomes, condominiums or single family homes. **The sole effect and unstated purpose of the QAP notification provisions is to facilitate the NIMBY attitudes and actions of the residents, galvanizing opposition to affordable apartment developments.** Similarly, under the NIMBY Scoring Provisions points are earned only if the residents are supportive of the development, and an application is penalized if the residents are in opposition to a development, notwithstanding that the political and neighborhood opposition are solely driven by NIMBY concerns. In the highly competitive LIHTC application process, where the difference of 1 point can be critical, motivated suburban homeowners can easily convince their elected officials and neighborhood organizations to write opposition letters (or withhold support letters), effectively eliminating LIHTC developments in suburban areas.

Conclusion

These comments have necessarily been broad in scope because the range of information needed to properly inform TDHCA and the BRB of their affirmative housing duties with regard to the LIHTC and Bond programs is broad and multifaceted. Although these comments rely on different sources of law in broadly addressing urban schools, ghettos, regionalism, racial and economic segregation, the benefits of integration, and TDHCA's and the BRB's obligation to affirmatively further fair housing, a clear theme runs throughout the comments that unite those otherwise disparate matters and reflect how the various constitutional provisions, statutes, regulations and rules are contravened:

TDHCA and the BRB have failed to establish and implement an institutionalized method for considering the social and demographic data when making their LIHTC and Bond funding decisions

TDHCA's and the BRB's complicity in funding poverty in place is reflected by their decision to commit in excess of 70% of the LIHTC and Bond/LIHTC units in Dallas, Austin and Houston to Impacted Areas – both economically and racially impacted.

What TDHCA and the BRB should do to satisfy their duty to affirmatively further fair housing is in part left to their discretion, as guided by the federal regulations. The touchstone of the obligation to affirmatively further fair housing is integration. **For starters, TDCHA and the BRB and the legislature should consider adding provisions to the QAP and the Bond Rules that give significant point scoring and/or a set-aside of credits for “affirmatively furthering fair housing” – the extent to which the proposed development will expand housing opportunities outside Impacted Areas.**

Assuming that point scoring were utilized to further integration, we submit the following language as a revision to the “Development Location” point scoring in the 2006 QAP (revisions shown are from the 2005 QAP):

Development Location. (2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i); 42 U.S.C. 3608(d) and (e)(5)) Applications may qualify to receive 4 points. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (H) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (C) of this paragraph will receive 14 points. Areas qualifying under any one of the subparagraphs (D) will receive 28 points. An Application may only receive points under one of the subparagraphs (A) through (H) of this paragraph.

(A) A geographical area which is an Economically Distressed Area; a Colonial; or a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD [these areas continue to need affordable housing and economic development, despite the fact that they are frequently low income, minority concentrated areas].

~~(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the first day of the Application Acceptance Period. [these areas are mainly commercial zones that are also frequently low income, minority concentrated – without a housing, neighborhood based revitalization plan, which is covered elsewhere, these are not appropriate areas for affordable housing as they may continue to promote segregation]~~

(B) a city or county-sponsored area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation, or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city or county-sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was created by the local city council/county commission, and targets a specific geographic area which was not created solely for the benefit of the Applicant.

(C) the Development is located in a county that has received an award as of November 15, 2004, within the past three years, 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.

(D) the Development is located in a census tract (a) in which there are no other existing developments supported by housing tax credits, and (b) 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, and (c) the percentage of persons of a particular racial or ethnic minority is no more than 10% and the total minority population is no more than 20%. This comparison shall be made using the most recent data available 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 and the racial and ethnic minority percentage of the census tract. ((2306.6725(b)(2)))

~~(G) 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 of an elementary school that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. 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)) [there are many highly rated schools in the inner city, but these areas are still low income, minority concentrated areas, and the schools alone do not address the overall needs of the families]~~

~~(H) 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)) [poverty alone is not the criteria]~~

This scoring item recognizes that the selection of a development site in a predominately non-minority, suburban area can involve risks for a developer related to potential community opposition that may not be encountered to the same degree with other sites, and provides an incentive to a developer to assume these risks in order to provide a high quality housing opportunity in such areas for the families that are eligible for tax credit units. This scoring item is consistent with the determination by the TDHCA in its current Analysis of Impediments that NIMBY is an impediment to fair housing.

Furthermore, stricter limits should be placed on new construction developments in low income, minority concentrated areas (even with significant revitalization efforts) to avoid over-concentration of LIHTC units. In addition to the one year, one-mile rule (TDCHA will not allocate credits to more than one development in a single year in a one-mile radius) and the three-year one mile rule (TDCHA will not allocate credits to a new development in a one-mile radius of another tax credit development for a similar type of housing – elderly or family – if that other development has received its allocation within 3 years) – the QAP and Bond Rules should contain a provision that prohibits any LIHTC or Bond allocation to a development in a census tract that already has 500 units funded with LIHTCs or Bonds/LIHTCs, unless approval of the local governing body is secured.

An institutionalized method for testing and reporting the success of TDHCA's pro-integrative efforts at set timeframes (along the lines of a progression of the enclosed graphs) should be established, and the results of such tests should inform TDHCA's promulgation of future QAPs.

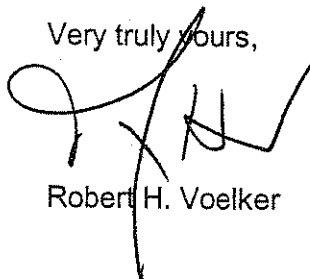
TDHCA also should demonstrate an internal commitment to promoting racial integration. Such a commitment could start by committing learned staff to an office that drafts and implements pro-integrative techniques and programs for TDHCA to use. Methods of evaluating the ghettoized nature of a neighborhood using various criteria, such as poverty, concentration of racial minorities, crime, blight, environmental conditions, etc., should be developed.

Furthermore, the notification, signage, political support scoring and neighborhood organization scoring provisions of the QAP are facially discriminatory and should be eliminated. The only effect of these provisions is to facilitate NIMBY attitudes of primarily suburban homeowners and officials, and as such these provisions have no place in funding decisions for affordable housing.

Promoting racial and economic integration may be politically unpopular, but in service to the obligations imposed by law, TDHCA and the BRB must promote integration. TDHCA and the BRB should demonstrate their willingness to do so by voluntarily complying with the law. Most immediately, TDHCA and the BRB should recognize their obligations to affirmatively further fair housing and pledge to begin promoting racial integration in the QAP and the Bond Rules.

Thank you for considering these comments. Please let me know if you would like to meet to further discuss these issues.

Very truly yours,



Robert H. Voelker

RHV:rhv

cc: Texas Bond Review Board - Board Members and Counsel:

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(and alternate Ed Robertson)
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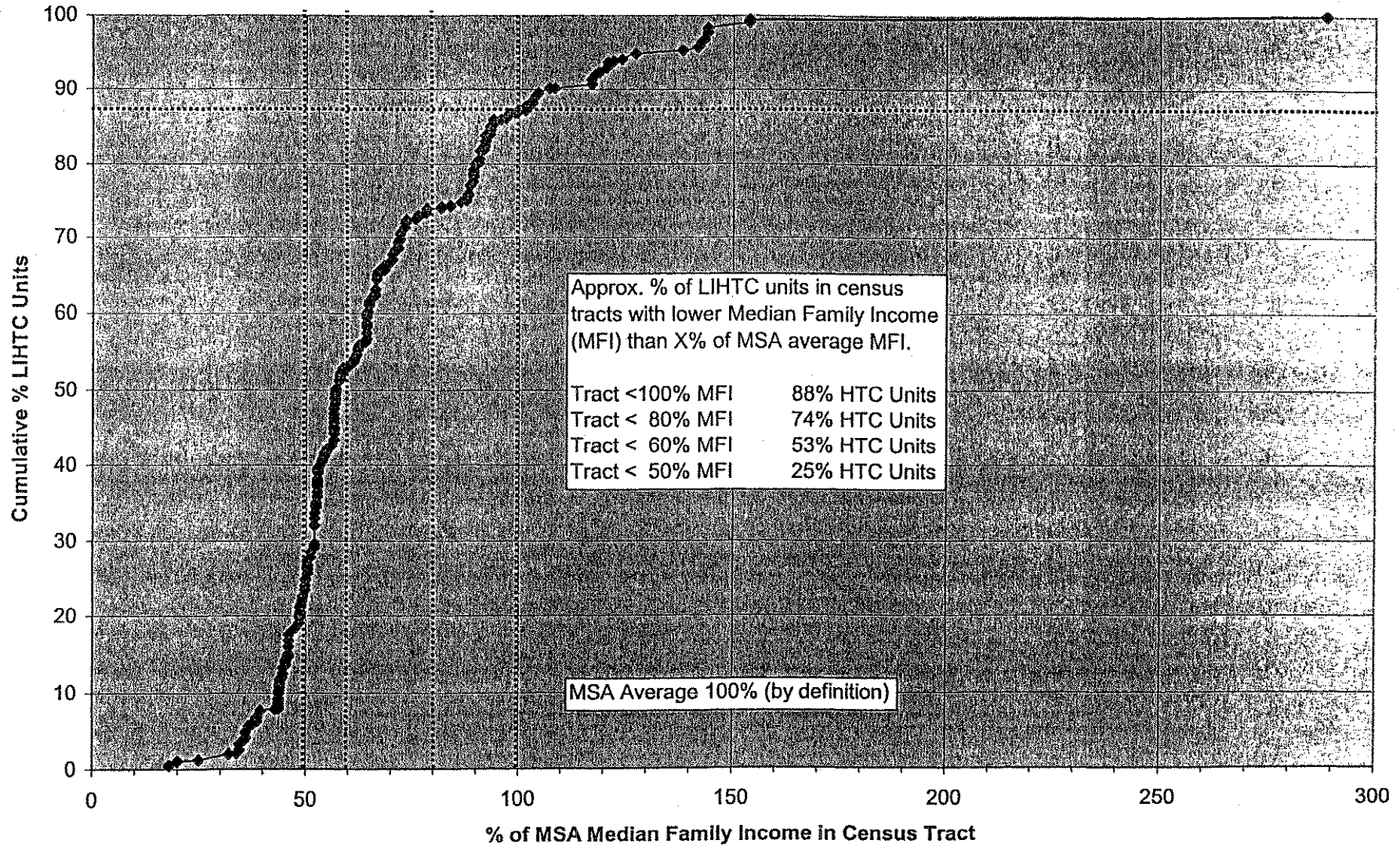
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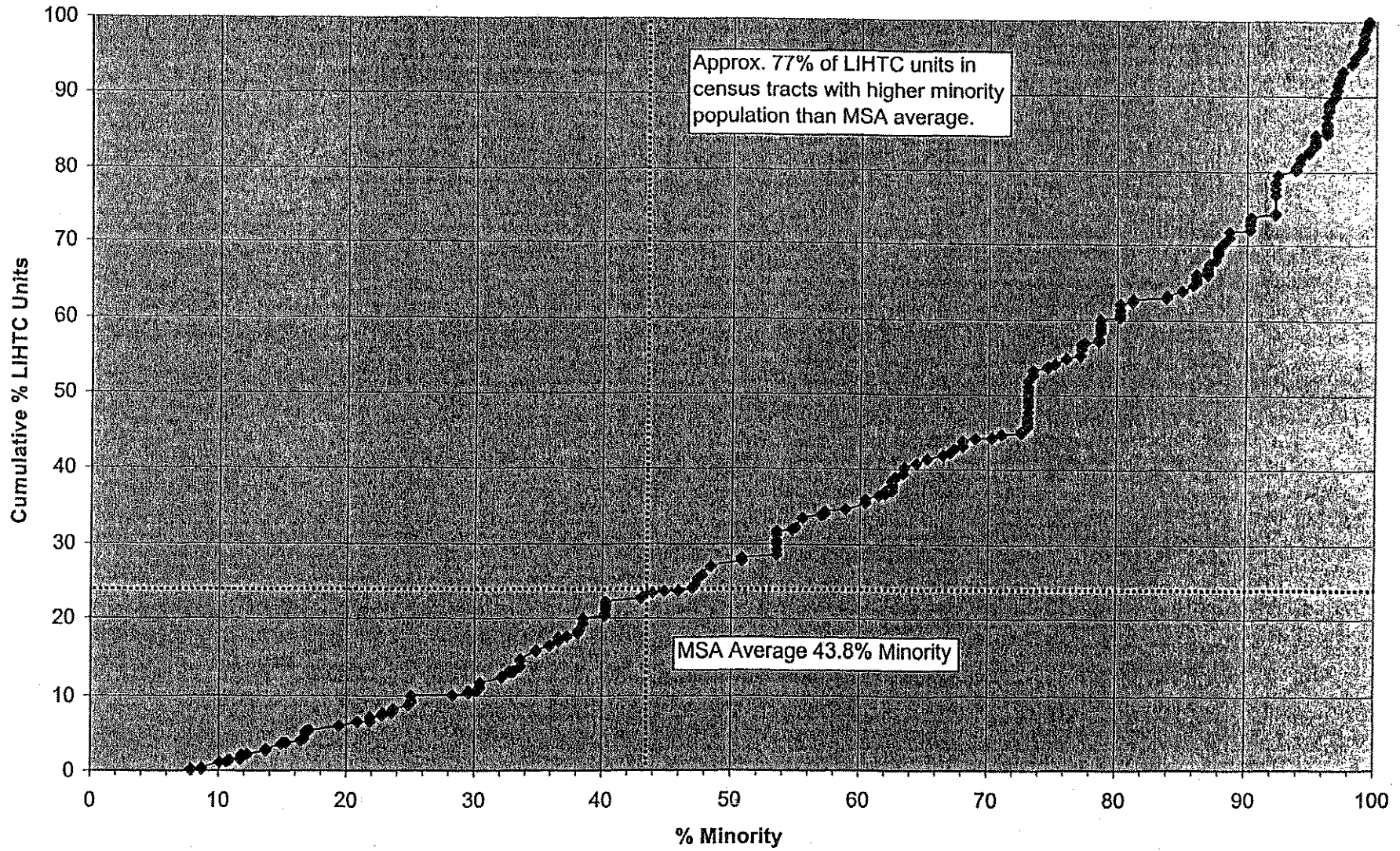
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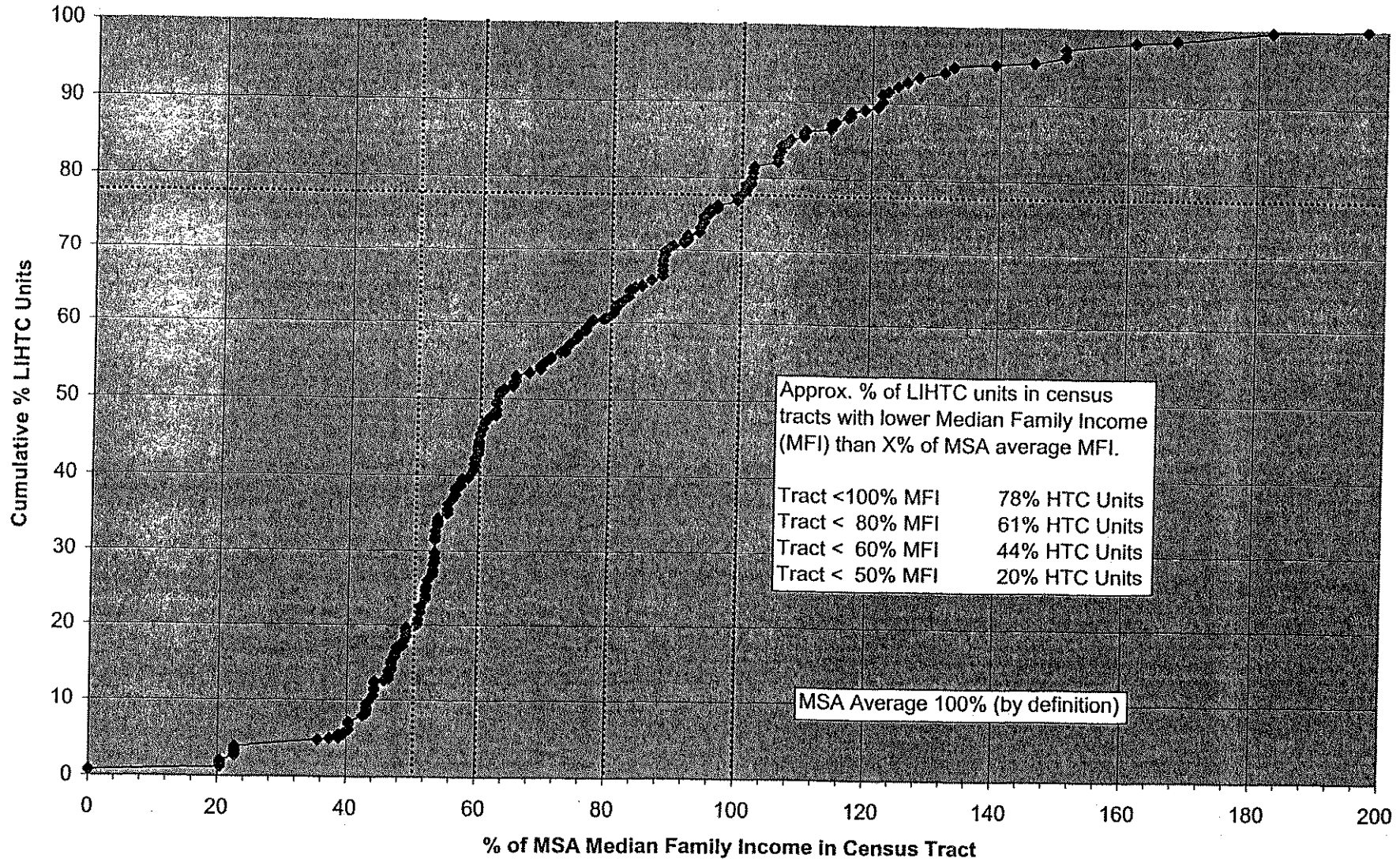
Dallas MSA Cumulative % LIHTC Units vs Census Tract % of MSA Median Family Income



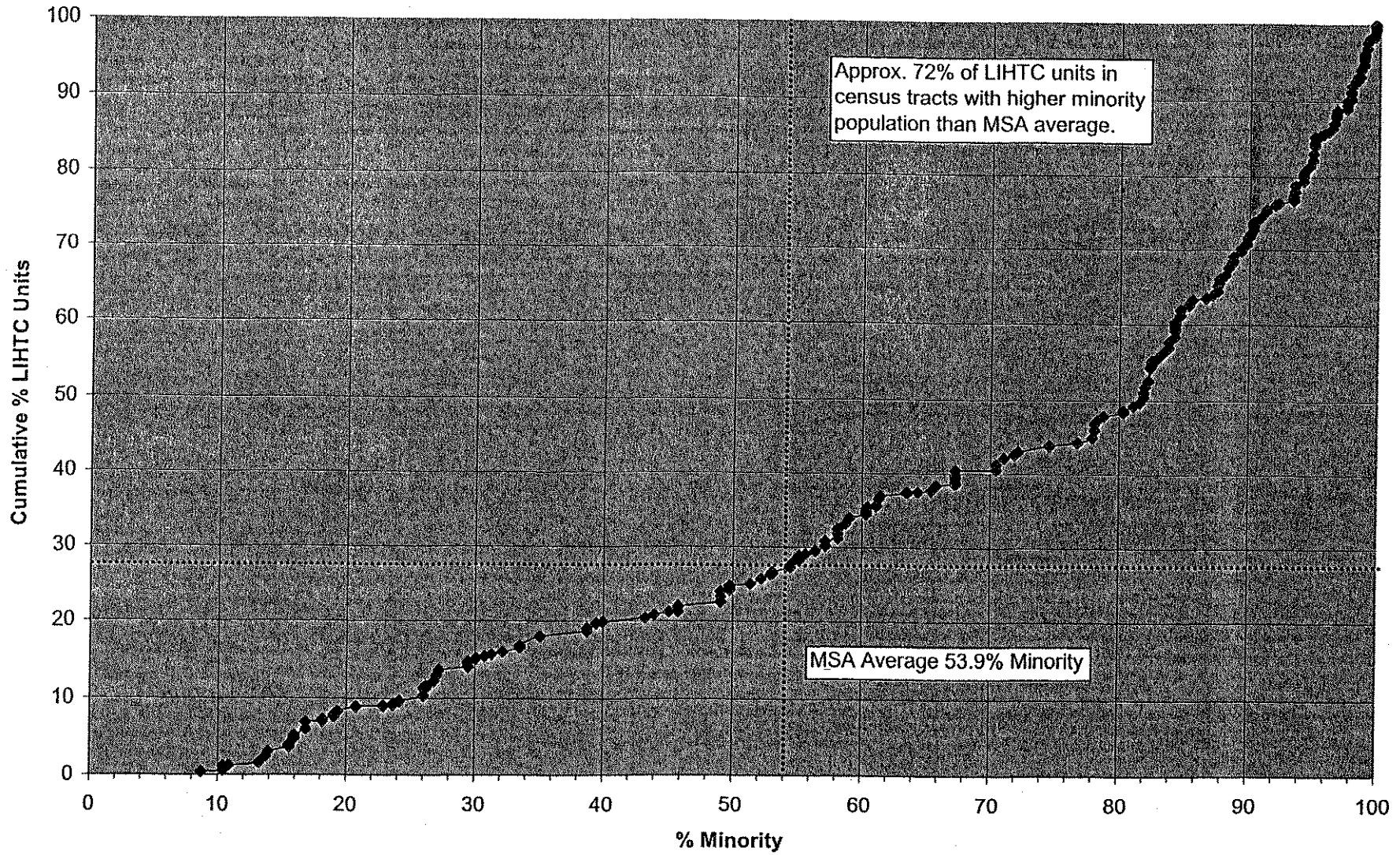
Dallas MSA Cumulative % LIHTC Units vs Census Tract % Minority



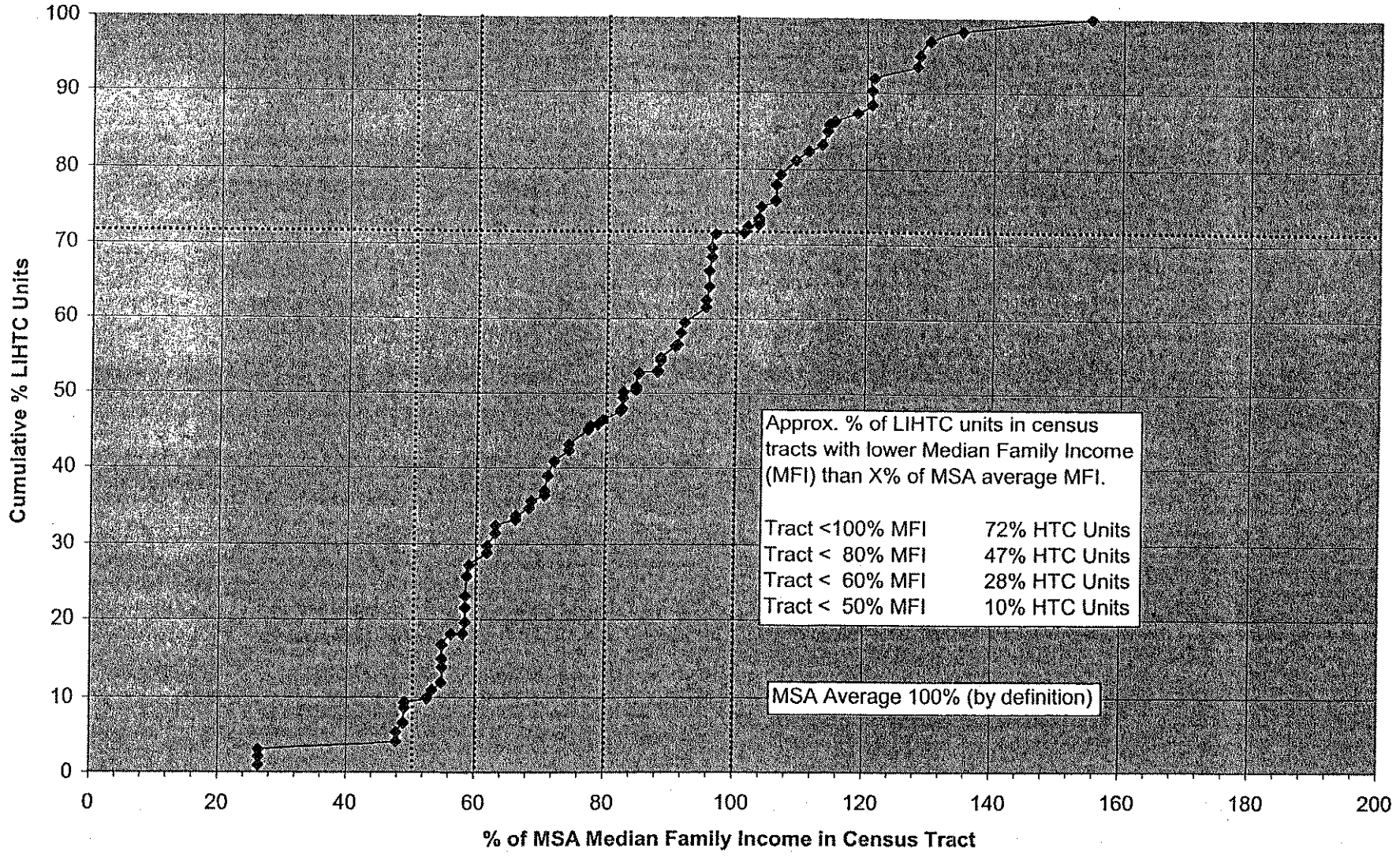
Houston MSA Cumulative % LIHTC Units vs Census Tract % of MSA Median Family Income



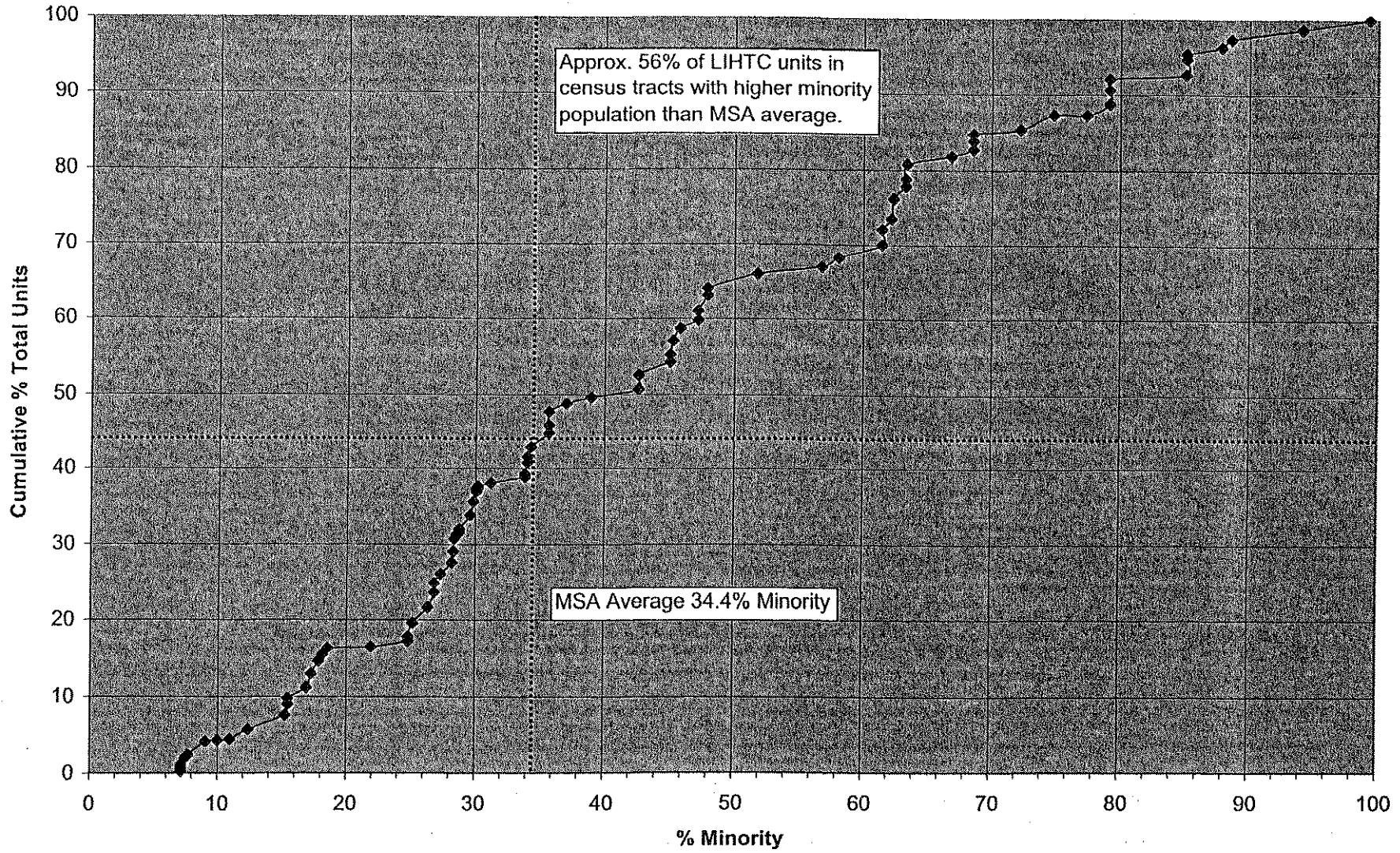
Houston MSA Cumulative % LIHTC Units vs Census Tract % Minority



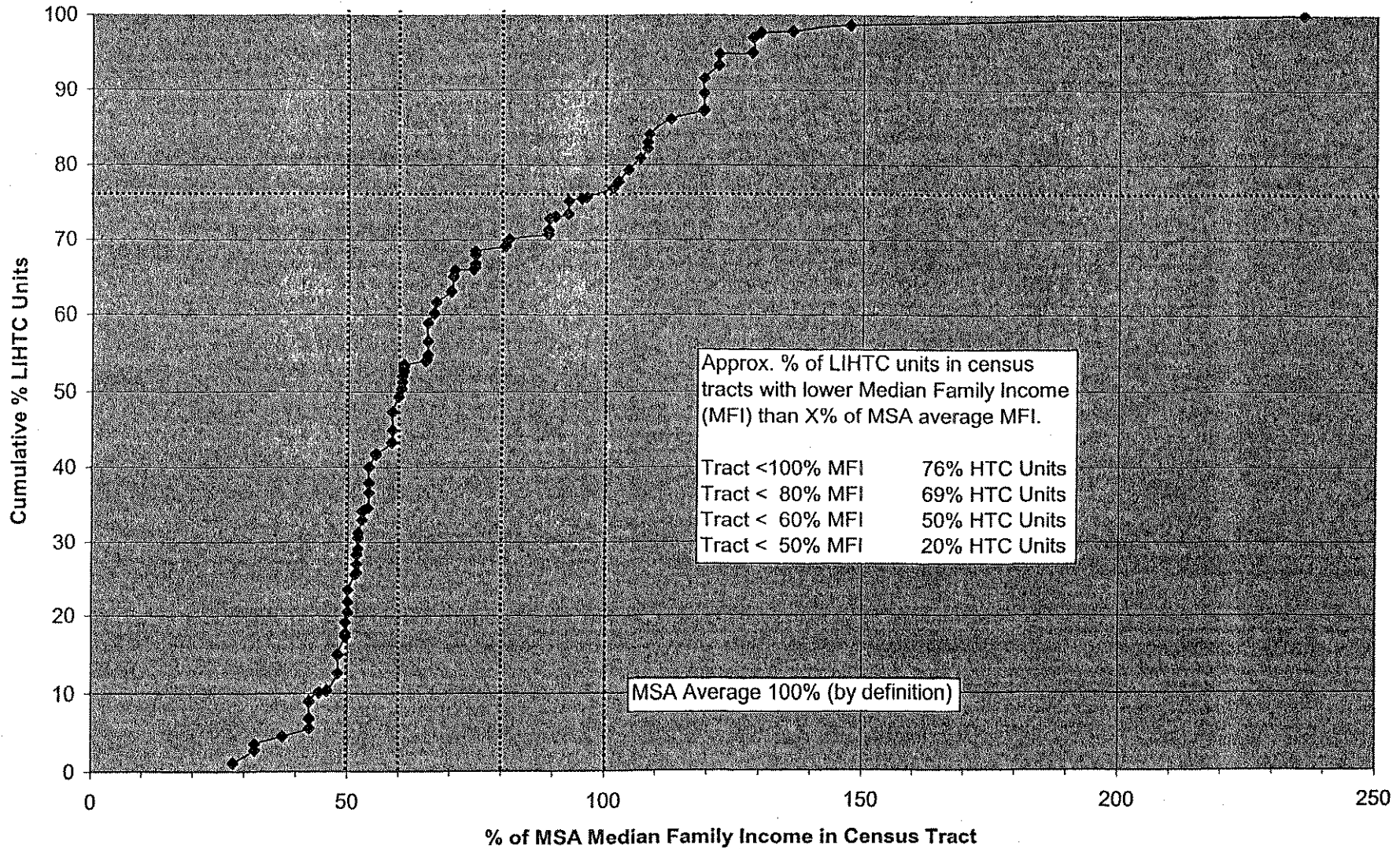
Fort Worth MSA Cumulative % LIHTC Units vs Census Tract % of MSA Median Family Income



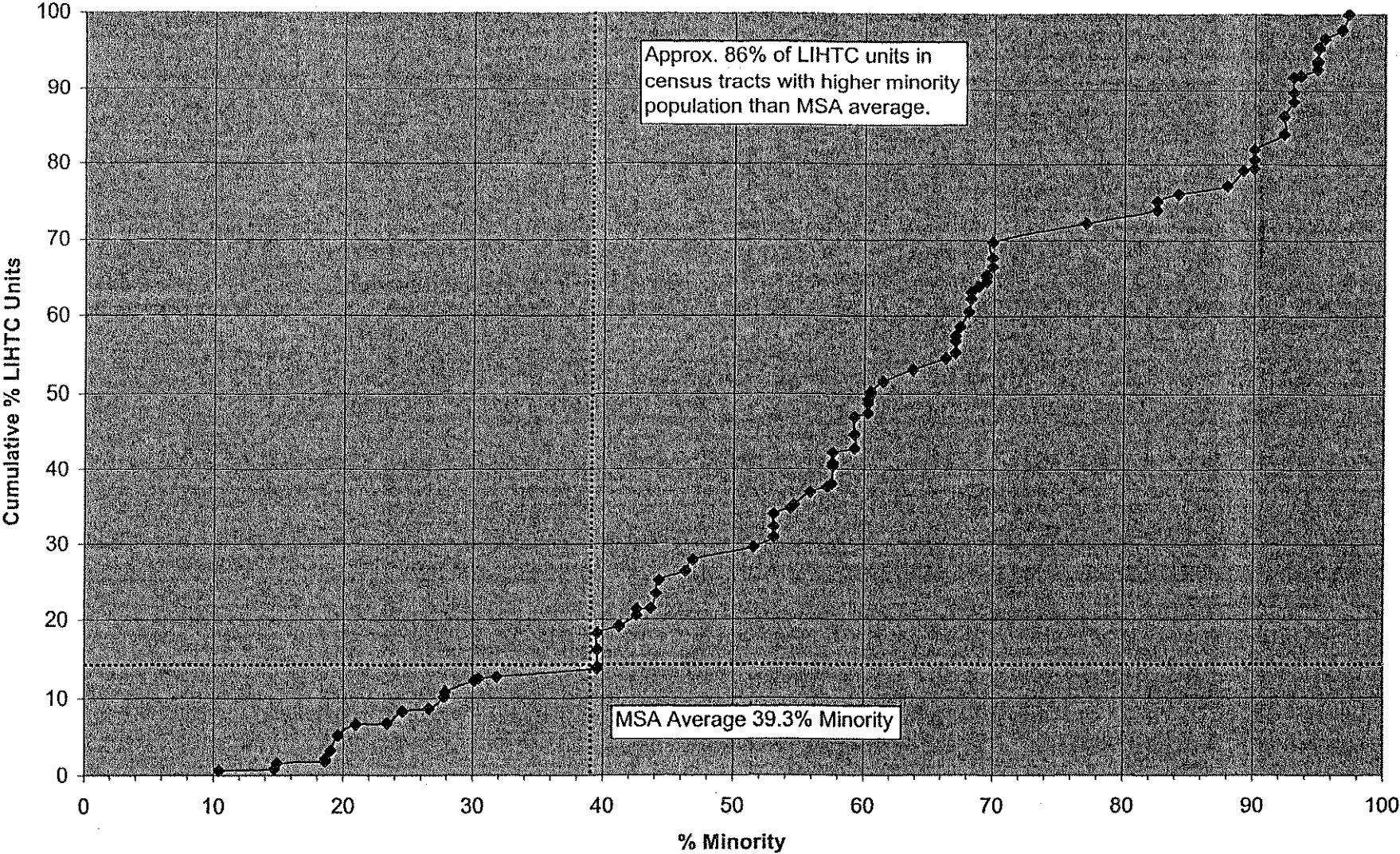
Fort Worth MSA Cumulative % LIHTC Units vs Census Tract % Minority



Austin MSA Cumulative % LIHTC Units vs Census Tract % of MSA Median Family Income



Austin MSA Cumulative % LIHTC Units vs Census Tract % Minority



**Housing Tax Credit Program
Board Action Request
August 19, 2005**

Action Item

Request review and board determination of one (1) four percent (4%) tax credit application with another issuer for tax exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **another issuer** for the tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
05419	Sundance Apartments	Texas City	Southeast Texas HFC	240	240	\$11,897,134	\$7,200,000	\$384,894	\$362,060

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Sundance Apartments.

Summary of the Transaction

The application was received on April 1, 2005. The Issuer for this transaction is the Southeast Texas HFC. The development is to be located at 3409 9th Avenue N in Texas City. The development will consist of 240 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Sundance Apartments.



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Sundance Apartments, TDHCA Number 05419

BASIC DEVELOPMENT INFORMATION

Site Address: 3409 9th Avenue North Development #: 05419
 City: Texas City Region: 6 Population Served: Family
 County: Galveston Zip Code: 77590 Allocation: Urban/Exurban
 HTC Set Asides: At-Risk Nonprofit USDA HTC Purpose/Activity: ACQ/R
 HOME Set Asides: CHDO Preservation General
 Bond Issuer: Southeast Texas HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: FDI-Sundance, Ltd.
 James W. Fieser - Phone: (281) 599-8684
 Developer: Fieser Development, Inc. & Sun Protech 145, LP
 Housing General Contractor: LCJ Construction
 Architect: David J. Albright
 Market Analyst: The Gerald A. Teel Co., Inc.
 Syndicator: Paramount Financial Group, Inc.
 Supportive Services: The Boys & Girls Club of Texas City
 Consultant: N/A

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	240	
0	0	120	120	Market Rate Units:	0	
<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	Owner/Employee Units:	0
0	96	144	0	0	Total Development Units:	240
Type of Building:	5 units or more			Total Development Cost:	\$11,897,134	
Number of Residential Buildings:	16					

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
9% Housing Tax Credits-Credit Ceiling	\$0	\$0	0	0	0.00%
4% Housing Tax Credits with Bonds:	\$384,894	\$362,060	0	0	0.00%
Housing Trust Fund Loan Amount:	\$0	\$0	0	0	0.00%
HOME Fund Loan Amount:	\$1,500,000	\$1,500,000	30	30	1.00%
Bond Allocation Amount:	\$0	\$0	0	0	0.00%



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Sundance Apartments, TDHCA Number 05419

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11

Points: 0

US Representative: Paul, District 14,

TX Representative: Eiland, District 23

Points: 0

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC

Resolution of Support from Local Government

Individuals/Businesses: In Support: 0

In Opposition: 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support or opposition.

CONDITIONS OF COMMITMENT

- 1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Board waiver of its QAP rule under Section 49.12(a)(2) regarding the submission of all documentation (including the Appraisal dated August 8, 2005) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
3. Receipt, review, and acceptance of documentation indicating approval of HAP contract rent increases.
4. Receipt, review, and acceptance of lead-based paint testing results and recommendations for the mitigation of any LBP discovered.
5. Receipt, review, and acceptance of documentation from a third party environmental engineer which indicates that no issues of environmental concern exists with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis (in particular with regard to noise and ACM's), prior to the initial closing on the property.
6. Receipt, review, and acceptance of a 30-year replacement reserve analysis performed by the PCA provider, prior to the initial closing on the property.
7. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Sundance Apartments, TDHCA Number 05419

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

9% HTC Competitive Cycle: Score: Meeting a Required Set-Aside Credit Amount: \$0

Recommendation: N/A

HOME Loan: Loan Amount: \$1,500,000

Recommendation: RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$1,500,000,
STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1%
INTEREST, SUBJECT TO CONDITIONS.

Housing Trust Fund Loan: Meeting a Required Set-Aside Loan Amount: \$0

Recommendation: N/A

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$362,060

Recommendation: RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED
\$362,060 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

Private Activity Bond Issuance with TDHCA: Bond Amount: \$0

Recommendation: N/A

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: August 11, 2005 **PROGRAM:** 4% HTC & HOME **FILE NUMBER:** 05419

DEVELOPMENT NAME

Sundance Apartments

APPLICANT

Name: FDI-Sundance, LTD. **Type:** For-profit
Address: 16360 Park Ten Place, Suite 301 **City:** Houston **State:** TX
Zip: 77084 **Contact:** James Fieser **Phone:** (281) 599-8684 **Fax:** (281) 599-8189

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	BHP Sundance, Inc.	(%):	0.01	Title:	Managing General Partner
Name:	Protech Holdings 145, LLC (PH 145)	(%):	0.0051	Title:	Special limited partner & co-developer
Name:	Fieser Sundance, Inc. (FSI)	(%):	0.0049	Title:	Special limited partner
Name:	Bayou Housing Partners, Inc. (BHP)	(%):	N/A	Title:	Nonprofit codeveloper & sole member of MGP
Name:	Protech Development I, LLC (PD)	(%):	N/A	Title:	100% owner of PH 145
Name:	Protech Economics, LLC (PE)	(%):	N/A	Title:	100% owner of PD
Name:	PFG Holdings (a subsidiary of GMAC)	(%):	N/A	Title:	100% owner of PE
Name:	Fieser Development, Inc. (FDI)	(%):	N/A	Title:	Co-developer
Name:	Sun Protech 145, L.P. (to be formed)	(%):	N/A	Title:	Co-developer
Name:	James Fieser	(%):	N/A	Title:	Sole member of FSI & FDI
Name:	Jon S. Skeele	(%):	N/A	Title:	Executive director of BHP

PROPERTY LOCATION

Location: 3409 9th Avenue North **QCT** **DDA**
City: Texas City **County:** Galveston **Zip:** 77590

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$384,894	N/A	N/A	N/A
2) \$1,500,000	1%	30 yrs	30 yrs
Other Requested Terms:	1) Annual ten-year allocation of housing tax credits 2) HOME Program loan as of August 8, 2005. Original request was \$1,000,000.		
Proposed Use of Funds:	Acquisition/rehab	Property Type:	Multifamily
Special Purpose (s):	General population		

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

RECOMMENDATION

- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$362,060 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED \$1,500,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Board waiver of its QAP rule under Section 49.12(a)(2) regarding the submission of all documentation (including the Appraisal dated August 8, 2005) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made;
2. Receipt, review and acceptance of documentation indicating approval of HAP contract rent increases;
3. Receipt, review, and acceptance of lead-based paint testing results and recommendations for the mitigation of any LBP discovered;
4. Receipt, review, and acceptance of documentation from a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis (in particular with regard to noise and ACM's), prior to the initial closing on the property;
5. Receipt, review, and acceptance of a 30-year replacement reserve analysis performed by the PCA provider, prior to the initial closing on the property;
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

This report was originally published in the July 27, 2005 TDHCA Board Book, but was withdrawn from consideration from that meeting. The Applicant submitted additional documentation that has been taken into consideration and incorporated in this report.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>240</u>	# Rental Buildings:	<u>16</u>	# Non-Res. Buildings:	<u>1</u>	# of Floors:	<u>2</u>	Age:	<u>~29</u> yrs	Vacant:	<u>10%</u>	at	<u>5/</u>	<u>9/</u>	<u>2005</u>
Net Rentable SF:	<u>177,744</u>	Av Un SF:	<u>741</u>	Common Area SF:	<u>1,330</u>	Gross Bldg SF:	<u>179,074</u>								

STRUCTURAL MATERIALS

The structures are wood-framed on post-tensioned concrete slabs on grade. Following the rehabilitation the exterior will be comprised of 64% wood and cement fiber siding and 36% brick veneer. The interior wall surfaces are drywall and the pitched roofs are finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring is a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning.

ONSITE AMENITIES

A 778-square foot community building includes an activity room, management offices, maintenance facilities, a restroom, and a central mail area. The community building and one swimming pool are located at the entrance to and in the eastern portion of the property, and a second pool is located in the center of the western portion. Laundry facilities and water heating equipment are located in four buildings throughout the property. In addition, perimeter fencing with limited access gates is planned for the site.

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Uncovered Parking: 345 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Sundance Apartments is a 24-unit per acre acquisition and rehabilitation development of 240 units of affordable housing located in west Texas City. The development was built circa 1976 and is comprised of 16 evenly distributed, medium-size, garden style, walk-up residential buildings as follows:

- Six buildings with 16 one-bedroom/one-bath units;
- Eight building with 16 two-bedroom/two-bath units; and
- Two buildings with eight two-bedroom/two-bath units.

Existing Subsidies: The property currently operates under a HUD Section 8 project-based Housing Assistance Payment (HAP) contract for 63 units, and the Applicant intends to continue the HAP contract for all 63 units. The Applicant’s proposed rental rates reflect increases from 28% to 41% in the current HAP rents, and the Applicant will be requesting an increase in the current rental rates. This change has not been approved by the Section 8 administrator as of the date of this report, therefore receipt, review, and acceptance of documentation verifying the approval of the proposed increase in rental rates is a condition of this report.

Development Plan: The buildings were “...approximately 98% leased and 89% occupied...[and] in fair to good condition for a development of this age” according to the property condition assessor. However, the Appraiser stated that “The overall condition at the date of inspection was average, with some areas of deferred maintenance noted”. The Applicant’s scope of work includes: accessibility improvements, installation of perimeter and pool fencing and access gates, add playground areas, enclose dumpsters with concrete block walls, flatwork repair, foundation repairs on six buildings, replace roofs on three buildings, replace wood siding, fascia, and soffit with cement fiber products, repair or replace stairs, railings, and balcony floors, repair masonry veneer, replace all sliding glass doors with insulated doors, repair or replace all interior and exterior doors and weatherstripping, repair and paint interior and exterior walls, repair second floor subfloors and replace floor coverings as needed, add smoke detectors and GFI outlets and perform other electrical work as needed for code compliance, install ceiling fans in living rooms and bedrooms, replace kitchen and bathroom cabinets and countertops as required, replace appliances as required, replace all air conditioning units with 12 SEER units, and inspect and repair central hot water boilers. The Applicant does not anticipate any displacement of current residents by the rehabilitation work, but included \$65K in relocation costs in the cost schedule in case offsite relocation of tenants is required.

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other apartment developments of a similar age.

SITE ISSUES

SITE DESCRIPTION

Size: 10 acres 435,600 square feet **Flood Zone Designation:** Zone X
Zoning: “C”, Multifamily Residential, conforming use

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Texas City is located in southeast Texas, approximately 35 miles southeast of downtown Houston in Galveston County. The site is an irregularly-shaped parcel located in the western area of the city, approximately one-half mile from the central business district. The site is situated on the north side of 9th Avenue and the west side of 34th Street.

Adjacent Land Uses:

- **North:** a grocery-anchored shopping center immediately adjacent and a vacant Wal-Mart building and more retail beyond;
- **South:** 9th Avenue North immediately adjacent and an electrical power substation and vacant land beyond;
- **East:** 34th Street immediately adjacent and vacant land and commercial beyond; and
- **West:** undeveloped land immediately adjacent and a motel beyond.

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Site Access: Access to the property is from the east or west along 9th Avenue North, from which the property has two entries, or the north or south from 34th Street, with another two entry/exits. Access to the Emmett F. Lowry Expressway (SH 1764) is one-quarter mile north, which provides connections to all other major roads serving the Texas City area as well as Houston and Galveston.

Public Transportation: “The city of Texas City does have limited public transportation for shopping and medical facilities in the area. There is no public mass transit.” (market study, p. 8)

Shopping & Services: The site is within one-quarter mile of a grocery/pharmacy-anchored shopping center, and a variety of other retail establishments and restaurants as well as schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- **Environmental Hazards:** The environmental analyst identified a number of issues which are discussed in the following section.

Site Inspection Findings: TDHCA staff performed a site inspection on April 26, 2005 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated May 20, 2005 was prepared by HBC Terracon and contained the following findings and recommendations:

Findings:

- “Based on the scope of services and limitations of this assessment, Terracon did not identify recognized environmental conditions in connection with the site, which in our opinion, warrant additional investigation at this time.” (p. 22)
- **Asbestos-Containing Materials (ACM):** “Limited asbestos sampling was performed that included the collection and analysis of 15 bulk samples of suspect asbestos-containing materials (ACM). Two 12”X12” beige floor tile samples [were determined to contain] asbestos through PLM analysis. Please note that this limited sampling event was not sufficient to constitute an asbestos survey, and all suspect building materials at the site are required to be assumed to be ACM...Terracon recommends that the identified on-site ACM and any suspect ACM be maintained in a site-specific operations and maintenance (O&M) program. It is important to note that state and federal regulations require notification, and additional sampling requirements must be adhered to prior to any demolition or renovation activities that may impact the condition of ACM in a building that affords public access or occupancy. Additionally, it should be noted that if any ACM or suspect ACM becomes damaged, additional samples should be collected and/or the materials should be abated in accordance with applicable regulations.” (p. 21-22)
- **Noise:** “At the client’s request, Terracon completed the TDHCA NEPA Checklist which included an evaluation of evaluated noise-causing agents. This included railroads (within 3,000 feet), heavily traveled roadways (within 1,000 feet), and a commercial or military airport (within 15 miles). Based on Terracon’s site reconnaissance, the site is located within 1,000 feet of a heavily traveled roadway and 3,000 feet of a railroad easement’ therefore, a noise assessment is required to assess the noise impact on the site...Based on a review of the TDHCA NEPA Checklist, Terracon recommends that a noise assessment be performed.” (p. 21-22)
- **Lead-Based Paint (LBP):** The report did not address LBP. Section 1.35(b)(6) of the 2005 TDHCA Environmental Site Assessment Rules and Guidelines requires the environmental analyst to “state if testing for lead-based paint would be required pursuant to local, state, and federal laws, or recommended due to any other consideration.” Due to the age of the buildings it would appear prudent to test for the presence of LBP; therefore, receipt, review, and acceptance of LBP testing results and recommendations for the mitigation of any LBP discovered, is a condition of this report.

Recommendations:

- “Terracon recommends that the identified on-site ACM and any suspect ACM be maintained in a site-

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specific operations and maintenance (O&M) program. It is important to note that state and federal regulations require notification, and additional sampling requirements must be adhered to prior to any demolition or renovation activities that may impact the condition of ACM in a building that affords public access or occupancy. Additionally, it should be noted that if any ACM or suspect ACM becomes damaged, additional samples should be collected and/or the materials should be abated in accordance with applicable regulations.”

- “Based on a review of the TDHCA NEPA [National Environmental Policy Act] Checklist, Terracon recommends that a noise assessment be performed.” (p. 22)

The Applicant subsequently provided documentation of engagement of environmental analysts to perform a noise assessment and an ACM O&M program, but the results of these supplementary measures have not been received as of the date of this report. Therefore, receipt, review, and acceptance of documentation by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property, is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50% / 50% at 60% option. In addition, as a condition of receiving HOME funding at least 20% of the HOME-assisted units must be reserved for households at or below 50% of AMGI, and this requirement is satisfied by the Applicant’s rent mix. All 240 of the units will be reserved for low-income tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,140	\$28,680	\$32,280	\$35,880	\$38,760	\$41,640

MARKET HIGHLIGHTS

A market feasibility study dated May 9, 2005 was prepared by The Gerald A. Teel Co., Inc. (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The primary market area or neighborhood for the subject is defined as generally being a three-mile radius from the subject location...The secondary market consists of those areas outside the PMA as well as Section 8 voucher holders” (p. 1). This area encompasses approximately 28 square miles.

Population: The estimated 2004 population of the PMA was 44,989 and is expected to increase by 5.34% to approximately 47,392 by 2009. Within the primary market area there were estimated to be 17,392 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 561 qualified households in the PMA, based on the current estimate of 17,672 households, the projected annual household growth rate of 1.6%, renter households estimated at 32.5% of the population, income-qualified households estimated at 23.1%, and an annual renter turnover rate of 55 % (p. 70). The Market Analyst used an income band of \$13,050 to \$28,320.

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ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	15	3%	17	3%
Resident Turnover	521	92%	621	97%
Other Sources: public housing & other	25	5%	0	0%
TOTAL ANNUAL DEMAND	561	100%	638	100%

Ref: p. 70

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 42.7% based upon 561 units of demand and 240 unstabilized affordable housing units in the PMA (the subject) (p. 70). The Underwriter calculated an inclusive capture rate of 37.6% based upon a higher demand estimate of 638 households. However, the subject development is currently +/-95% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

Market Rent Comparables: The Market Analyst surveyed four comparable apartment projects totaling 864 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$424-\$449	\$484	-\$60-\$35	\$435-\$485	-\$11-\$36
2-Bedroom (50%)	\$512	\$573	-\$61	\$580	-\$68
2-Bedroom (60%)	\$562	\$631	-\$69	\$625	-\$63

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

The Market Analyst prepared an update letter with a revised market rent analysis. The letter, dated August 8, 2005, concludes market rents of \$440 for one bedroom at 558 square feet, \$485 for one bedroom at 632 square feet, \$570 for two bedrooms at 785 square feet, and \$620 for two bedrooms at 885 square feet. The decrease in market rent conclusions for the two-bedroom units is attributed to concessions now being offered at the comparable developments due to low occupancy rates.

Primary Market Occupancy Rates: “The Texas City submarket has a total of 3,339 units and exhibits a weighted average occupancy of 86%.” (p. 27)

Known Planned Development: “According to representatives for the city permit department, and planning and zoning, there is no new permitted development that would be considered competitive for the subject property.” (p. 7)

Effect on Existing Housing Stock: “As an existing property, the subject property will have minimal if any effect on the market, or surrounding properties, as the majority of potential renters have effectively already been captured.” (p. 72)

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s effective gross income is within 5% of the Underwriter’s revised estimate. The Applicant submitted a revised rent schedule on August 8, 2005. The proposed rents are below both the current net program rents and the Market Analyst’s revised market rent conclusions. However, the Applicant’s proposed rents are higher than the current HAP contract rents suggesting the Applicant will request an increase once the rehabilitation work is complete. The underwriting analysis assumes the potential rent for the 56 two-bedroom units without project-based rental assistance will be limited to the revised market rent conclusion of \$570, which is less than the current program rent limit. In this analysis, the potential rent for the units with project-based rental assistance was re-calculated based on an average percentage increase to the current HAP contract rents of 31%, which is the minimum necessary for the

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development to achieve the Department's debt coverage ratio guideline of 1.10. Receipt, review and acceptance of documentation indicating approval of HAP contract rent increases is a condition of this report.

The Applicant's secondary income is within current underwriting guidelines, while their vacancy and collection loss assumption (10%) is higher than the current underwriting standard of 7.5%. The Applicant submitted a letter dated August 7, 2005 stating, "The Primary Market Occupancy rate is 86.4% and the current occupancy of Sundance is 85%. The [Paramount Financial Group] Underwriter has applied a 10% vacancy factor versus the 7.5% rate. The reasoning is based on two considerations. It has been discovered that there is a possible drug/crime problem on the property and the effect of this will take considerable time to mitigate...The second is the overall market conditions and the proposed for improvement in occupancy over the next few years." The update letter to the Market Analysis supports an increase to the vacancy and collection loss to 10%.

Expenses: The Applicant's total expense estimate of \$3,136 per unit is within 5% of the Underwriter's database- and historically-derived revised estimate of \$3,101 per unit for comparably-sized developments in the same area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: general and administrative (\$8K lower) and insurance (\$21K higher). The Applicant's property tax estimate reflects a 50% CHDO tax exemption; a legal opinion dated August 9, 2005 indicates the development will be eligible for a property tax exemption. The Underwriter has also assumed that such an exemption will be received based upon the non-profit status of the sole member of the General Partner.

The third party property condition assessment (PCA) provider provided a ten-year replacement reserve estimate of \$297/unit/year. Although the Underwriter requested a 30-year analysis to conform to the regulatory period, this analysis has not been received as of the date of this report and therefore the Underwriter (and Applicant) has used the TDCA rehabilitation reserve guideline of \$300/unit. Receipt, review, and acceptance of a 30-year replacement reserve analysis performed by the PCA provider is a condition of this report.

Conclusion: The Applicant's income, total estimated operating expense and net operating income (NOI) estimates are each within 5% of the Underwriter's estimates. Therefore, the Applicant's NOI will be used to evaluate debt service capacity. The Applicant's proforma and the proposed financing structure result in an initial debt coverage ratio (DCR) within the current Department DCR guideline of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: 10 acres	\$440,000	Date of Valuation:	5/	9/	2005
Existing Buildings: "as is"	\$4,460,000	Date of Valuation:	5/	9/	2005
Total Development: "as is"	\$4,900,000	Date of Valuation:	5/	9/	2005
Appraiser: The Gerald A. Teel Co., Inc.	City: Houston	Phone:	(713)	467-5858	
APPRAISAL ANALYSIS/CONCLUSIONS					
<p>The Appraiser used four comparable land sales in and around Texas City since April 2004 to derive the underlying land valuation of \$1.00/square foot. Due to the quality of the comparable sales and adjustments thereto the appraisal provides a reasonable estimation of land value.</p> <p>The Appraiser relied most heavily on the income capitalization approach in estimating the "as is" value of the improvements. The cost approach was not relied upon "...due to the age and condition of the submarket" (p. 124). Secondary weight was given to the sales comparison approach.</p>					
ASSESSED VALUE					
Land: 10.33	\$382,480	Assessment for the Year of:	2004		
Building:	\$3,817,510	Valuation by:	Galveston County Appraisal District		
Total Assessed Value:	\$4,199,990	Tax Rate:	3.08324		
EVIDENCE of SITE or PROPERTY CONTROL					

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Type of Site Control:	Improved property commercial contract					
Contract Expiration Date:	9/	4/	2005	Anticipated Closing Date:	9/	1/ 2005
Acquisition Cost:	\$6,700,000			Other Terms/Conditions:	\$15,000 earnest money	
Seller:	Gupta Investments L.P.			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of \$6,700,000 (\$27,917/unit), although 37% in excess of the appraised value of \$4,900,000, is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant claimed acquisition eligible basis at application based upon a building value percentage of 94% applied to the contract price or \$6,317,520. The appraisal concluded the "as-is" market value of the land to be \$440K or 9% of the total appraised value. This value is greater than the assessed value of \$382,480 for the land. Thus, the Underwriter has used the most conservative building value approach of using the appraisal's value proration of 9% for the land and subtracted the sales price to conclude a value for the existing buildings of \$6,098,367, or 91% of the total value of the subject property. A revised development cost schedule was submitted by the Applicant on August 8, 2005 with a building value of \$6,098,367.

Sitework Cost: Since this is a proposed rehabilitation the associated sitework costs are minimal, and the Applicant has estimated sitework costs of \$1,444 per unit. The third party property condition assessment (PCA) report dated May 24, 2005 was prepared by AECC, Inc. ("PCA Provider") which estimated sitework costs of \$219,976 or \$917 per unit, and this estimate has been used by the Underwriter. The Applicant provided a revised cost schedule that included site work costs of \$346,637, which is \$140K more than originally projected. There is no indication that this re-estimate of cost was given to the PCA Provider for additional review. A majority of the increase appears to be for additional concrete costs (this budget line item has more than doubled).

Direct Construction Cost: The Applicant's direct construction cost estimate is \$374K or 21% higher than the PCA Provider's estimate, which has been used by the Underwriter. The Applicant's combined sitework and direct construction costs of \$10K/unit satisfy the TDHCA minimum rehabilitation cost guideline of \$6K/unit. The Applicant's revised development budget for direct construction cost is only \$13K higher than the originally submitted budget; however, several line items appear to have shifted. It is not clear that these adjustments are a result of the PCA recommendations. The Underwriter verified that the PCA Provider has not seen these latest costs. Therefore, the Underwriter continues to use the PCA Provider original costs to determine verifiable eligible basis for the development.

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 based on the Applicant's costs, but, along with contingency, are \$213K higher than the TDHCA estimate based on the PCA.

Reserves: The Applicant's combined reserves of \$1.2M exceed the TDHCA guideline by \$676K; the Underwriter was unable to validate the requirement for such a high reserve requirement from the application materials. The largest of these reserve costs, \$590K, is labeled as non-basis interest payments and is not likely to be a reserve requirement but just an ineligible basis cost that could be attributed to the development.

Conclusion: Due to the Applicant's higher direct construction costs and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the HTC allocation. As a result an eligible basis of \$10,227,677 is used to determine a credit allocation of \$362,060 from this method. This is \$8K less than previously recommended due to the Applicant's reductions in eligible indirect construction costs. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

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FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	Newman Capital	Contact:	Jerry Wright
Interim Amount:	\$7,200,000	Interest Rate:	BMA index + 225 basis points, estimated & underwritten at 4.5%
Permanent Amount:	\$7,200,000	Interest Rate:	6.4%
Additional Information:	Commitment in amount of \$7,500,000		
Amortization:	35 yrs	Term:	33 yrs
Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional		
Annual Payment:	\$516,068	Lien Priority:	1st
Date:	6/ 15/ 2005		

TAX CREDIT SYNDICATION			
Source:	Paramount Financial Group, Inc.	Contact:	Dale Cook
Net Proceeds:	\$3,536,839	Net Syndication Rate (per \$1.00 of 10-yr HTC)	93¢
Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional Date: 5/ 9/ 2005		
Additional Information:	Commitment in amount of \$3,503,412 based on lower allocation		

APPLICANT EQUITY	
Amount:	\$700,000
Source:	Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Southeast Texas Housing Finance Corporation. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that the Applicant anticipates using only \$6.7M of the \$7.5M commitment. The Applicant originally requested \$1.0M in HOME funds from the Department, but increased that request to \$1.5M during the underwriting evaluation process. This analysis suggests the entire amount is repayable at the requested terms of 30 year amortization and 1% interest as long as the HAP rents are increased as proposed.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that the smaller commitment amount is based on a smaller anticipated allocation.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$800K amount to 66% of the total fees.

Other Financing: The Applicant included \$700K in anticipated net operating income from operations during the construction period.

Financing Conclusions: Based on the Underwriter's estimate of eligible basis, the HTC allocation should not exceed \$362,060 annually for ten years, resulting in syndication proceeds of approximately \$3,366,476. Due to the Underwriter's lower development cost and funding requirement the Applicant's deferred developer fee will be reduced to \$330,658, which represents approximately 25% of the eligible fee and which should be repayable from cash flow within four years.

The requested HOME loan of \$1,500,000 at an interest rate of 1% and amortizing over a repayment term of 30 years is recommended. The HOME award amount is below the 221(d)(3) limit for this development.

Return on Equity: The Underwriter's projected cash flow of \$9,733 represents a 2% rate of return on the Applicant's recommended deferred developer fee.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

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

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APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant, General Partner, Special Limited Partner, and one of the co-developers (Sun Protech 145, L.P.) are single-purpose entities created for the purpose of receiving assistance from TDHCA and developing the property and therefore have no material financial statements.
- The nonprofit co-developer and the sole member of the General Partner, Bayou Housing Partners, Inc., submitted an unaudited financial statement as of December 31, 2004 reporting total assets of \$320K and consisting of \$2K in cash, \$210K in construction in progress, \$95K in real property, and \$6K in plans and prepaids. Liabilities totaled \$304K, resulting in net assets of \$16K.
- The remaining co-developer, Fieser Development, Inc., submitted an unaudited financial statement as of December 1, 2004 reporting total assets of \$3.4M and consisting of \$90K in cash, \$3.3M in receivables, and \$15K in equipment. Liabilities totaled \$15K, resulting in a net worth of \$3.4M.
- GMAC Commercial Holding Capital Corporation, the parent entity of Sun Protech 145 L.P. and Protech Holdings 145, LLC through its subsidiary PFG Holdings, Corp., submitted audited financial statements for the year ending December 31, 2004 and these statements are being treated as confidential per request of the provider.
- The principal of the General Partner and the Developer, James Fieser, submitted an unaudited financial statement as of December 1, 2004 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's direct construction costs differ from the PCA Provider's estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental risks may exist regarding asbestos-containing building materials, lead-based paint, and noise.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum restricted rents can be achieved in this market.
- The property's project-based rent subsidy is subject to Federal funding and may not be renewed as anticipated.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Director of Real Estate Analysis:

Tom Gouris

Date: August 11, 2005

MULTIFAMILY COMPARATIVE ANALYSIS

Sundance Apartments, Texas City, 4% HTC/HOME #05419

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
LH/TC50%	32	1	1	558	\$560	\$419	\$13,414	\$0.75	\$75.56	\$37.10
LH/TC50%	64	1	1	632	560	\$419	26,829	0.66	75.56	37.10
LH/TC50%	24	2	1	785	672	\$524	12,576	0.67	99.27	41.30
HH/TC60%	56	2	1	785	730	\$570	31,920	0.73	99.27	41.30
HH/TC60%	64	2	2	885	730	\$559	35,800	0.63	99.27	41.30
TOTAL:	240		AVERAGE:	741	\$656	\$502	\$120,539	\$0.68	\$89.79	\$39.62

INCOME

Total Net Rentable Sq Ft: 177,744

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$13.00
 Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -10.00%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	2.93%	\$163	0.22
Management	5.00%	278	0.38
Payroll & Payroll Tax	12.70%	707	0.95
Repairs & Maintenance	7.19%	400	0.54
Utilities	4.54%	253	0.34
Water, Sewer, & Trash	6.82%	379	0.51
Property Insurance	3.99%	222	0.30
Property Tax 3.08324	5.54%	308	0.42
Reserve for Replacements	5.39%	300	0.41
Other: security, compl fees	1.62%	90	0.12

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	%	PER UNIT	PER SQ FT
First Lien Mortgage (GMAC)	35.96%	\$2,001	\$2.70
TDHCA HOME Loan	4.34%	\$241	\$0.33
Additional Financing	0.00%	\$0	\$0.00

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		56.32%	\$27,917	\$37.69
Off-Sites		0.00%	0	0.00
Sitework		1.85%	917	1.24
Direct Construction		14.66%	7,267	9.81
Contingency	10.00%	1.65%	818	1.11
General Req'ts	6.00%	0.99%	491	0.66
Contractor's G & A	2.00%	0.33%	164	0.22
Contractor's Profit	6.00%	0.99%	491	0.66
Indirect Construction		1.82%	901	1.22
Ineligible Costs		4.26%	2,112	2.85
Developer's G & A	2.16%	1.62%	801	1.08
Developer's Profit	12.84%	9.60%	4,757	6.42
Interim Financing		1.21%	597	0.81
Reserves		4.72%	2,338	3.16
TOTAL COST		100.00%	\$49,571	\$66.93
Recap-Hard Construction Costs		20.47%	\$10,148	\$13.70

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT
First Lien Mortgage (GMAC)	56.32%	\$27,917	\$37.69
TDHCA HOME Loan	12.61%	\$6,250	\$8.44
HTC Syndication Proceeds (Paramo)	29.48%	\$14,613	\$19.73
NOI/Additional Financing	5.88%	\$2,917	\$3.94
Deferred Developer Fees	7.40%	\$3,667	\$4.95
Additional (Excess) Funds Req'd	-11.68%	(\$5,791)	(\$7.82)
TOTAL SOURCES			

TDHCA	APPLICANT
\$1,446,467	\$1,480,416
37,440	37,440
0	0
\$1,483,907	\$1,517,856
(148,391)	(151,788)
0	0
\$1,335,516	\$1,366,068

Comptroller's Region 6

IREM Region

\$13.00 Per Unit Per Month

-10.00% of Potential Gross Rent

PER SQ FT	PER UNIT	% OF EGI
\$0.17	\$128	2.25%
0.32	233	4.10%
1.04	774	13.59%
0.44	326	5.72%
0.39	291	5.11%
0.52	382	6.71%
0.42	308	5.42%
0.41	304	5.34%
0.41	300	5.27%
0.12	90	1.58%

TDHCA	APPLICANT
\$744,352	\$752,640
\$591,164	\$613,428

PER SQ FT	PER UNIT	% OF EGI
\$4.23	\$3,136	55.10%
\$3.45	\$2,556	44.90%

TDHCA	APPLICANT
\$480,230	\$499,061
57,895	57,895
0	0

PER SQ FT	PER UNIT	% OF EGI
\$2.81	\$2,079	36.53%
\$0.33	\$241	4.24%
\$0.00	\$0	0.00%

TDHCA	APPLICANT
1.10	1.10
	1.14

TDHCA	APPLICANT
\$6,700,000	\$6,700,000
0	0
219,976	346,637
1,744,165	2,118,010
196,414	246,465
117,848	147,879
39,283	49,293
117,848	147,879
216,350	216,350
506,774	506,774
192,334	285,428
1,141,711	1,141,711
143,380	143,380
561,050	1,237,232
\$11,897,134	\$13,287,038

PER SQ FT	PER UNIT	% of TOTAL
\$37.69	\$27,917	50.43%
0.00	0	0.00%
1.95	1,444	2.61%
11.92	8,825	15.94%
1.39	1,027	1.85%
0.83	616	1.11%
0.28	205	0.37%
0.83	616	1.11%
1.22	901	1.63%
2.85	2,112	3.81%
1.61	1,189	2.15%
6.42	4,757	8.59%
0.81	597	1.08%
6.96	5,155	9.31%
\$74.75	\$55,363	100.00%

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
Recap-Hard Construction Costs	20.47%	\$10,148	\$13.70	\$2,435,535	\$3,056,163	\$17.19 \$12,734 23.00%

	TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage (GMAC)	\$6,700,000	\$6,700,000	\$6,700,000
TDHCA HOME Loan	1,500,000	1,500,000	1,500,000
HTC Syndication Proceeds (Paramo)	3,507,037	3,507,037	3,366,476
NOI/Additional Financing	700,000	700,000	0
Deferred Developer Fees	880,000	880,000	330,658
Additional (Excess) Funds Req'd	(1,389,903)	1	0
TOTAL SOURCES	\$11,897,134	\$13,287,038	\$11,897,134

Developer Fee Available

\$1,334,045

% of Dev. Fee Deferred

25%

15-Yr Cumulative Cash Flow

\$2,286,205

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Sundance Apartments, Texas City, 4% HTC/HOME #05419

PAYMENT COMPUTATION

Primary	\$6,700,000	Amort	420
Int Rate	6.40%	DCR	1.23

Secondary	\$1,500,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.10

Additional		Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	\$480,230
Secondary Debt Service	57,895
Additional Debt Service	0
NET CASH FLOW	\$75,303

Primary	\$6,700,000	Amort	420
Int Rate	6.40%	DCR	1.28

Secondary	\$1,500,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.14

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.14

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	\$1,480,416	\$1,524,828	\$1,570,573	\$1,617,691	\$1,666,221	\$1,931,607	\$2,239,262	\$2,595,918	\$3,488,697
Secondary Income	37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,517,856	1,563,392	1,610,293	1,658,602	1,708,360	1,980,458	2,295,893	2,661,570	3,576,927
Vacancy & Collection Loss	(151,788)	(156,339)	(161,029)	(165,860)	(170,836)	(198,046)	(229,589)	(266,157)	(357,693)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,366,068	\$1,407,053	\$1,449,264	\$1,492,742	\$1,537,524	\$1,782,412	\$2,066,304	\$2,395,413	\$3,219,234
EXPENSES at 4.00%									
General & Administrative	\$30,800	\$32,032	\$33,313	\$34,646	\$36,032	\$43,838	\$53,336	\$64,891	\$96,054
Management	56,000	57,680	59,410	61,192	63,028	73,067	84,705	98,196	131,967
Payroll & Payroll Tax	185,640	193,066	200,788	208,820	217,173	264,224	321,468	391,115	578,946
Repairs & Maintenance	78,200	81,328	84,581	87,964	91,483	111,303	135,417	164,756	243,879
Utilities	69,800	72,592	75,496	78,516	81,656	99,347	120,871	147,058	217,682
Water, Sewer & Trash	91,600	95,264	99,075	103,038	107,159	130,375	158,622	192,987	285,668
Insurance	74,000	76,960	80,038	83,240	86,570	105,325	128,144	155,907	230,780
Property Tax	73,000	75,920	78,957	82,115	85,400	103,902	126,412	153,800	227,662
Reserve for Replacements	72,000	74,880	77,875	80,990	84,230	102,478	124,681	151,693	224,543
Other	21,600	22,464	23,363	24,297	25,269	30,744	37,404	45,508	67,363
TOTAL EXPENSES	\$752,640	\$782,186	\$812,896	\$844,818	\$877,999	\$1,064,603	\$1,291,060	\$1,565,912	\$2,304,545
NET OPERATING INCOME	\$613,428	\$624,867	\$636,368	\$647,924	\$659,525	\$717,809	\$775,244	\$829,501	\$914,689
DEBT SERVICE									
First Lien Financing	\$480,230	\$480,230	\$480,230	\$480,230	\$480,230	\$480,230	\$480,230	\$480,230	\$480,230
Second Lien	57,895	57,895	57,895	57,895	57,895	57,895	57,895	57,895	57,895
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$75,303	\$86,742	\$98,243	\$109,799	\$121,401	\$179,684	\$237,119	\$291,376	\$376,564
DEBT COVERAGE RATIO	1.14	1.16	1.18	1.20	1.23	1.33	1.44	1.54	1.70

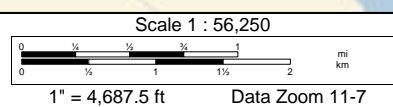
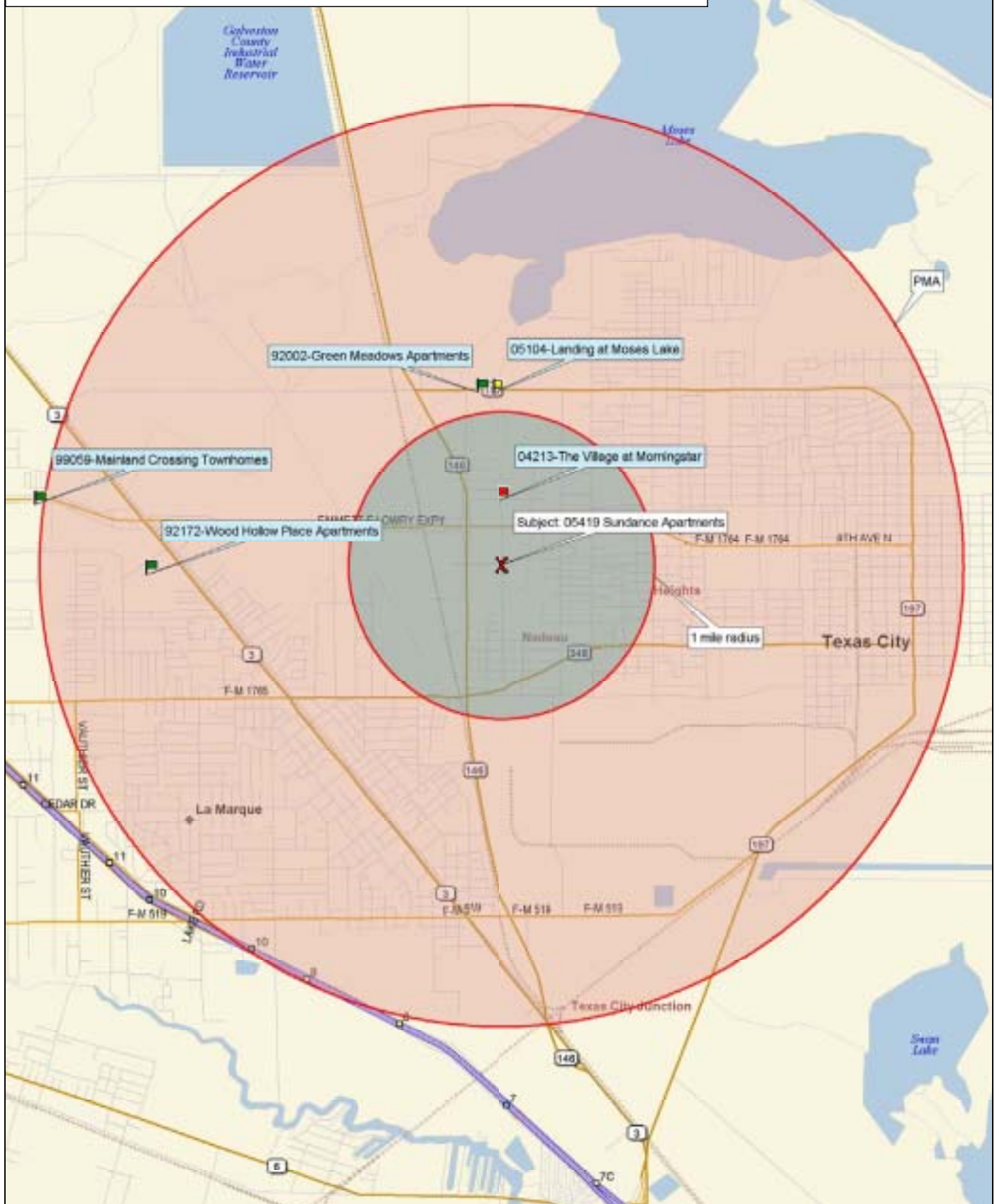
LIHTC Allocation Calculation - Sundance Apartments, Texas City, 4% HTC/HOME #05419

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	\$601,633	\$601,633				
Purchase of buildings	\$6,098,367	\$6,098,367	\$6,098,367	\$6,098,367		
(2) Rehabilitation/New Construction Cost						
On-site work	\$346,637	\$219,976			\$346,637	\$219,976
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$2,118,010	\$1,744,165			\$2,118,010	\$1,744,165
(4) Contractor Fees & General Requirements						
Contractor overhead	\$49,293	\$39,283			\$49,293	\$39,283
Contractor profit	\$147,879	\$117,848			\$147,879	\$117,848
General requirements	\$147,879	\$117,848			\$147,879	\$117,848
(5) Contingencies						
	\$246,465	\$196,414			\$246,465	\$196,414
(6) Eligible Indirect Fees						
	\$216,350	\$216,350			\$216,350	\$216,350
(7) Eligible Financing Fees						
	\$143,380	\$143,380			\$143,380	\$143,380
(8) All Ineligible Costs						
	\$506,774	\$506,774				
(9) Developer Fees						
Developer overhead	\$285,428	\$192,334	\$914,755	\$914,755	\$512,384	\$419,290
Developer fee	\$1,141,711	\$1,141,711				
(10) Development Reserves						
	\$1,237,232	\$561,050				
TOTAL DEVELOPMENT COSTS	\$13,287,038	\$11,897,134	\$7,013,122	\$7,013,122	\$3,928,276	\$3,214,555

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			\$7,013,122	\$7,013,122	\$3,928,276	\$3,214,555
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$7,013,122	\$7,013,122	\$3,928,276	\$3,214,555
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$7,013,122	\$7,013,122	\$3,928,276	\$3,214,555
Applicable Percentage			3.54%	3.54%	3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			\$248,265	\$248,265	\$139,061	\$113,795

Syndication Proceeds	0.9298	\$2,308,394	\$2,308,394	\$1,293,006	\$1,058,082
Total Credits (Eligible Basis Method)				\$387,325	\$362,060
Syndication Proceeds				\$3,601,400	\$3,366,476
Original Requested Credits				\$384,894	
Syndication Proceeds				\$3,578,792	
Gap of Syndication Proceeds Needed					\$3,697,134
Credit Amount					\$397,622

05419 Sundance Apartments



Applicant Evaluation

Project ID # **05419**

Name: **Sundance Apartments**

City: **Texas City**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other
 No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 2
 Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance	
Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

monitored with a score less than thirty: 2
 # not yet monitored or pending review: 16

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 4

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewed by Patricia Murphy

Date 7/19/2005

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer S. Roth
 Date 7/19/2005

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Paige McGilloway
 Date 7/19/2005

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 7/19/2005

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 7/19/2005

Executive Director: Edwina Carrington

Executed: Wednesday, July 20, 2005

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
August 19, 2005

Action Item

Discussion and Possible Approval of Action for 2005 Housing Tax Credit Application Green Briar Village based on Alternative Dispute Resolution.

Requested Action

Discuss and Possibly Approve for Green Briar Village:

1. The revocation of the determination of knowing violations in the application;
2. The reinstatement of the application into the 2005 Application Cycle with the two points for HUB involvement; and
3. Approval of a 2006 Forward Commitment of Housing Tax Credits.

Background

Green Briar Village (#05058) submitted an application for Housing Tax Credits on March 1, 2005. On July 1, 2005, the applicant was sent a notice of a loss of two points for HUB points and also notification of their disqualification based on a knowing violation of the QAP.

In the application submitted March 1, 2005, the applicant requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP) for participation by a Historically Underutilized Business (HUB). This section provided, in part, "The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609s for, more than two Developments involving tax credits." Based on an allegation made by another applicant, further staff research indicated that Randy Stevenson was identified as a principal in the General Partner, Southwest Housing Providers, LLC and he signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which he is a principal have already been issued 8609's as of March 1, 2005.

Simultaneously, the Department disqualified the application based on §49.5(b)(1) of the QAP, which states: "The provision of fraudulent information, knowingly false 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," the Department may disqualify an application or debar a Person if it is determined that a violation has occurred under this section. The Department determined that the request for points while being ineligible was a knowing violation. The Applicant appealed this determination and on July 14, 2005 the Board denied the appeal.

In a letter dated July 28, 2005, William Hemphill, Jr., counsel for the applicant, submitted a Request for Alternative Dispute Resolution pursuant to 10 TAC §1.17. The Alternative Dispute

Resolution session took place on August 11. The session included discussion regarding the simple mistake on the applicant's part regarding the definition for "Principal" which was a critical factor in the point ineligibility. Convincing evidence was presented to show that had the applicant been issued a deficiency notice, consistent with Department procedures for scoring reductions, Randy Stevenson would have withdrawn himself as an officer of the HUB, which would have removed his status as a principal and would then have ensured the continued award of the two points. TDHCA staff should have handled the issue as an administrative deficiency and allowed Mr. Stevenson to withdraw as an officer. Further, TDHCA staff is now convinced that there was no intent by the applicant to provide "fraudulent information, knowingly false documentation, or other intentional or negligent misrepresentation in the Application..." as provided for under Section 49.5(b)(1) of the QAP.

Recommendations

Based on the discussion and information presented in the ADR session, staff now recommends:

1. That the Board revoke the determination that the applicant knowingly violated the QAP;
2. That the Board reinstate the application into the 2005 Application Cycle;
3. That the Board reinstate the award of two points contingent on the removal of Randy Stevenson as an officer of the HUB; and
4. That the Board approve a Forward Commitment of an allocation of 2006 Housing Tax Credits in an amount not to exceed \$604,349, contingent on review and approval by the Real Estate Analysis Division and review and approval by the Portfolio Management and Compliance Division.

Relevant documentation related to this item is provided behind the Board Action Request.

KASLING, O'TOOLE,
HEMPHILL & DOLEZAL, L.L.P.

700 LAVACA STREET, SUITE 1000
AUSTIN, TEXAS 78701-3109
(512) 472-6800
FAX: (512) 472-6823

RECEIVED

AUG 2, 2005

LIHTC

July 28, 2005

~~VIA CERTIFIED MAIL, RRR AND FACSIMILE (512) 475-3978~~

~~Ms. Anne Reynolds
Dispute Resolution Coordinator
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941~~

Re: Green Brian Village; TDHCA #05058
Applicant: SWHP Wichita Falls, LP

**Request to Engage Texas Department of Housing and Community Affairs in
Alternative Dispute Resolution and Settlement Discussions.**

Dear Ms. Reynolds:

SWHP Wichita Falls, LP ("SWHP or Applicant") has retained this law firm to represent it in connection with the decision of the Texas Department of Housing and Community Affairs' to disqualify SWHP's application from the 2005 Application Cycle. I kindly request that you direct all future communications concerning this matter to me.

In accordance with 10 Tex. Admin. Code §1.17, the purpose of this letter is to request that the Department engage in an alternative dispute resolution procedure with SWHP in the immediate future to assist in the fair and expeditious resolution of the pending disputes between the parties. I believe that a mediation is an appropriate procedure to address the pending disputes between the Department and my client. It will certainly use less resources and take less time than other available procedures, and from my review of the file, there appears to be a reasonable likelihood that a mediation would result in an agreement to resolve the disputes. I also believe that there are potential solutions to these disputes that would only be available through mediation.

The following sets forth a summary of the nature of the disputes and SWHP's mediation request:

Ms. Anne Reynolds
Dispute Resolution Coordinator
Texas Department of Housing and Community Affairs
July 28, 2005
Page 2

I. Factual Background / Nature of the Disputes.

By way of overview, the Applicant, SWHP, is a not yet formed Texas limited Partnership with its managing general partner as Southwest Housing Providers, LLC, a Texas limited liability company ("SWHP LLC"). SWHP LLC was formed in 2003; is solely owned by Ann Stevenson (a female); and is properly certified as a HUB by the Texas Building and Procurement Commission. Randy Stevenson serves as a vice president of SWHP LLC, but is not an owner of the company. Mr. Stevenson has received prior allocations of tax credits and Schedule 8609s for at least two projects unrelated to Green Briar Village Apartments.

On March 1, 2005, after much effort, time and expense, and after obtaining the full and enthusiastic endorsement for the development project from the local authorities, SWHP submitted its application to the Department for the Green Briar Village Apartments project. The application requested the award of two points under the QAP in connection with SWHP's HUB status. It also fully disclosed that Randy Stevenson was a vice president of SWHP LLC, and his involvement in past developments receiving tax credits. Further, in connection with preparing such application prior to submission, the Applicant hired Dan Allgeier, a very experienced third-party consultant with extensive familiarity with the QAP and the Department's application process, to assist in the preparation of the application and to ensure full compliance with the 2005 QAP. In addition, the Applicant also hired Jeff Crozier, another experienced third-party consultant with extensive familiarity with the application process, to perform a final review of the application before submission to the Department to ensure completeness and compliance with the 2005 QAP.

Despite the Applicant's sincere and thorough attempts both internally and through third-party consultants to ensure compliance with the 2005 QAP, SWHP, although a qualified HUB, was not eligible to receive the two points in connection with its HUB status under the 2005 QAP. In particular, Section 49.9(g)(20) of the 2005 QAP (a new rule) provides in part that, "[t]he 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." The 2005 QAP defines "Principal" to include an officer authorized to act on behalf of the limited liability company. The Applicant, Ms. Stevenson (the owner of the limited liability company), Mr. Stevenson and the two third-party consultants mistakenly believed that the term "principal" did not encompass Mr. Stevenson in his role as vice president of the limited liability company, thus making the Applicant an eligible HUB for the additional two points. They reasonably believed that a vice president role was one of an agent for the principal, not a principal. In sum, the Applicant honestly and in good faith simply requested in its application that it be awarded the additional two points as an eligible HUB. Under the 2005 QAP, however, the HUB Applicant was not qualified to received these points.

After SWHP submitted its application, which fully disclosed Mr. Stevenson's status as a vice

Ms. Anne Reynolds
Dispute Resolution Coordinator
Texas Department of Housing and Community Affairs
July 28, 2005
Page 3

president of the limited liability company and fully disclosed all past projects for which he had received tax credits, and after going through the staff review process, the Department mistakenly determined that the Applicant was eligible for the additional two points at issue. Further, the Department recommended approval of housing tax credits for the project. On or about June 25, 2005, the staff recommendation was presented to the Board, and the Applicant received preliminary Board approval in accordance with the staff's recommendation.

However, by letter, dated June 21, 2005, Diana McIver, the President of DMA Development Company, LLC, a direct competing applicant with SWHP for housing tax credit allocation, requested the Department to review the award of HUB points related to SWHP. In such letter, Ms. McIver suggested that a scoring error had occurred and directed the Department's attention to information disclosed by SWHP in its own application. She contended that based on SWHP's disclosed information, Mr. Stevenson constituted a principal of the company; that any past 8609s that Mr. Stevenson had received should be considered by the Department; and that SWHP, therefore, was simply not eligible for the additional HUB points.

By letter, dated July 1, 2005, Brooke Boston, the Multifamily Production Division Coordinator with the Department, notified SWHP that the Department had determined that based on information fully disclosed in SWHP's application, SWHP was not eligible to receive the two HUB related points requested in the application. However, instead of simply disqualifying SWHP from receiving the additional 2 points as contemplated by the rule, the Department completely disqualified this application from the 2005 Application Cycle and terminated this application completely.

In taking such action, the Department's letter relied upon Section 49.5(b)(1) of the 2005 QAP, which relates to the provision of fraudulent information, knowingly false documents or other intentional or negligent material misrepresentations by the applicant in connection with the application, evaluation and approval process. The Department further stated that it had determined that SWHP had "knowingly" violated Section 49.9(g)(20) of the QAP and therefore violated Section 49.5(b)(1).

SWHP disputes the determination of the Department. First, SWHP contends that no basis exists for the Department to determine that SWHP "knowingly" violated Section 49.9(g)(20) of the 2005 QAP. To the contrary, SWHP, as a qualified HUB and after hiring reputable third party consultants to help prepare and review its application, honestly believed that it was entitled to apply for the additional two points in its application. The Applicant fully disclosed in its application Mr. Stevenson's role as vice president of the limited liability company and fully disclosed all of Mr. Stevenson's past developments and tax credits received. Second, SWHP contends that because there is no basis to determine that the Applicant committed a knowing violation of Section 49.5(b)(1) of

Ms. Anne Reynolds
Dispute Resolution Coordinator
Texas Department of Housing and Community Affairs
July 28, 2005
Page 4

the 2005 QAP, the Department's decision to completely disqualify SWHP's application from the 2005 Application Cycle and completely terminate the application is legally unfounded and not proper. SWHP contends that the proper determination by the Department would have been to only disqualify SWHP from receiving the HUB related two points. SWHP seeks reinstatement of its application for the 2005 Application Cycle.

II. Pertinent Deadlines.

SWHP timely appealed the Department's determination as set forth in Ms. Boston's July 1, 2005, letter to the Executive Director, Ms. Edwina Carrington. On July 7, 2005, SWHP also timely perfected its appeal to the Board. I understand that at the July 14, 2005, Board meeting, the Board denied SWHP's appeal of disqualification of 2005 Housing Tax Credit Application. However, I am not aware of my client receiving formal notice of such Board denial.

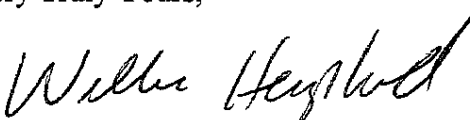
If a motion for rehearing is required under the Texas Government Code in this matter to protect Applicant's appeal rights, then such motion must be filed by August 3, 2005.

III. Preferred ADR Procedure.

The Applicant proposes that the disputes identified be mediated using a qualified mediator agreeable to all parties at the shared cost of the parties; that the mediation take place at such selected mediator's office or other mutually agreeable place; that it be scheduled for ½ day on an agreed date no later than Wednesday, August 17, 2005. I have used several of the recognized mediators in the Austin area, and I am open to any preferences on mediators that you may have.

Thank you for your attention to this matter, and please contact me at your earliest convenience to discuss this mediation request.

Very Truly Yours,



William R. Hemphill, Jr.

WRH:mac

Ms. Anne Reynolds
Dispute Resolution Coordinator
Texas Department of Housing and Community Affairs
July 28, 2005
Page 5

cc: ***VIA CERTIFIED MAIL, RRR AND FACSIMILE (512) 477-3096***

Ms. Edwina Carrington
Executive Director
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941

VIA CERTIFIED MAIL, RRR AND FACSIMILE (512) 475-2038

Ms. Brooke Boston ✓
Multifamily Finance Production Division Director
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

July 14, 2005

Action Item

Deny the applicant's appeal of disqualification of 2005 Housing Tax Credit (HTC) Application.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

I. Green Briar Village, #05058

This Applicant was originally sent a notice of the application's disqualification on July 1, 2005. In the application submitted March 1, 2005, the applicant requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "The HUB will be disqualified from receiving these points if any Principal of the HUB has developed, and received 8609s for, more than two Developments involving tax credits." Staff research indicates that Randy Stevenson is acting as a principal in the General Partner, Southwest Housing Providers, LLC and he signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which he is a principal have already been issued 8609's as of March 1, 2005. The applications for which 8609s have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false 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", the Department may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, the applicant has violated Section 49.5(b)(1) of the QAP. Therefore, pursuant to this section of the QAP, this application was disqualified from the 2005 Application Cycle and therefore terminated.

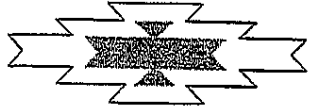
Relevant documentation related to this appeal is provided behind the Board Action Request. It should be noted that the appellant has indicated that, while the 2 points should have never been requested, the applicant made an error and is requesting the application be reinstated with the reduction of the two points from its point total.

Applicant:	SWHP Wichita Falls, LP
Site Location:	601 Airport Dr.
City/County:	Wichita Falls / Wichita County
Regional Allocation Category:	Urban/Exurban
Set-Aside:	None
Population Served:	Family
Region:	2
Type of Development:	New Construction
Units:	76
Credits Requested:	\$604,349

Staff Recommendation:

The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal of the application's disqualification.

Executive Director/ Board Appeal



SOUTHWEST HOUSING
PROVIDERS, L.L.C.

RECEIVED

JUL 7 2005

LIHTC

FAX TRANSMITTAL

DATE: 7-6-05

TO: JENNIFER JOYCE - TDHCA

FAX #: 512-475-0764

PAGES: 5 (including cover)

COMMENTS

RE: APPEAL FOR TDHCA # 05058
GREEN BRIAR VILLAGE.

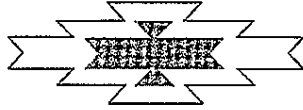
ATTACHED IS APPEAL LETTER
ADDRESSED TO EDWINA CARRINGTON
FOR PROJECT TERMINATION NOTICE
OF JULY 1, 2005 (COPY INCLUDED).

ORIGINAL WILL BE SENT VIA
OVERNIGHT DELIVERY.

SHARON LAURENCE OR RANDY STEVENSON,
817-261-5088.

7/6/05 4:25 pm - FAX

7/6/05 - LONESTAR OVERNIGHT AIRBILL # 33098390



SOUTHWEST HOUSING PROVIDERS, L.L.C.

Ms. Edwina Carrington, Executive Director
Texas Department of Housing and Community Affairs
Waller Creek Office Building
507 Sabine Street
Austin, TX 78701

Re: Green Briar Village
TDHCA # 05058

Dear Ms. Carrington:

We wish to appeal the staff's decision to terminate application 05058, Green Briar Village Apartments, Wichita Falls, Texas. Your letter of July 1, 2005 indicates:

"Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresenting in the Application or other information submitted to the Department at any stage of the evaluation or approval process", may disqualify an application or debar a Person if it is determined that a violation has occurred under this section."

The letter further states:

"It had been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP."

The Applicant SWHP Wichita Falls, LP is a not yet formed Texas Limited Partnership with its sole general partner as Southwest Housing Providers, LLC, a Texas Limited Liability Company. This Limited Liability Company was formed in 2003; is owned 100% by Ann Stevenson, a female; and is certified as a HUB by the Texas Building and Procurement Commission. Ms. Ann Stevenson is the sole owner of Southwest Housing Providers, LLC, however, Randy Stevenson is an officer of the organization. Since Mr. Stevenson has received prior allocations of tax credits and Schedule 8609s for at least two projects, these points for HUB participation should not have been requested. The applicant was under the mistaken impression that, because Mr. Stevenson was not an owner of Southwest Housing Providers, LLC, this entity was an eligible HUB. The fact that he is an officer of the limited liability company was fully disclosed in the application. He signed several of the documents as Vice President. Volume 4, Tab 12 of the application only showed the owner – Ann Stevenson as a principal because the applicant mistakenly thought principal meant owner, not "any officer authorized to act on behalf of the limited liability company" as defined in the QAP.

Termination of the application for this mistake should not occur. The applicant made a mistake assuming "principal" meant owner and has fully disclosed the organization and identities of interest in the organizations to the Agency.

We would also like to point out that Southwest Housing Providers, LLC has no relationship whatsoever in any form with Southwest Housing Corporation of Dallas, currently in the news.

We ask that you reinstate this application with the reduction of two points from its point total.

Sincerely,

A handwritten signature in cursive script that reads "J. Ann Stevenson". The signature is written in black ink and is positioned above the typed name.

J. Ann Stevenson
President of the General Partner



WWW.TDHCA.STATE.TX.US

July 1, 2005

RICK PERRY
Governor

EDWINA P. CARRINGTON
Executive Director

BOARD MEMBERS
Elizabeth Anderson, Chair
Shadrick Bagany
C. Kent Conine
Vidal Gonzalez
Patrick R. Gordon
Norberto Salinas

Randy Stevenson
SWHP Wichita Falls, LP
2400-A Roosevelt
Arlington, TX 76016
Telephone: (817) 261-5088
Telecopier: (817) 261-5095

Re: Green Briar Apartments, TDHCA# 05058

Dear Mr. Stevenson:

On March 1, 2005, you submitted an application for the above-referenced development. In that application you requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "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." Our research indicates that you, Randy Stevenson, are acting as a principal in the General Partner, Southwest Housing Providers, LLC. You signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which you are a principle have already been issued 8609's as of March 1, 2005. The applications for which 8609's have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false 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", may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP. Therefore, please be informed that

Mr. Randy Stevenson
July 1, 2005
Page 2 of 2

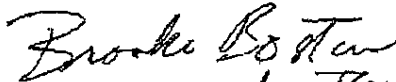
pursuant to this section of the QAP, the Department has disqualified this application from the 2005 Application Cycle and therefore terminated this Application and no further action will be taken on it.

Please be aware that an Appeals Policy exists for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP. If you wish to appeal this application termination decision, you must file your appeal with the Department no later than July 8, 2005. However, in the event that the Executive Director denies your appeal and you would like to be placed on the July 14, 2005 agenda, you must file your appeal no later than July 7, 2005. You must indicate in your appeal that you would like to be placed on the Board agenda in the event of Executive Director's denial. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP.

Please note that in the event that either the Executive Director or Board approves your appeal and the application is then reinstated, you will be reissued a revised final scoring notice which will rescind the 2 points for HUB participation.

If you have any questions, please do not hesitate to contact Jennifer Joyce at jennifer.joyce@tdhca.state.tx.us or at 512.475.3995.

Sincerely,



Brooke Boston
Multifamily Finance Production Division Director

Application Disqualification Letter



X-JEM

WWW.TDHCA.STATE.TX.US

July 1, 2005

RICK PERRY
Governor

EDWINA P. CARRINGTON
Executive Director

BOARD MEMBERS
Elizabeth Anderson, Chair
Shadrick Bogany
C. Kent Conine
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Norberto Salinas

Randy Stevenson
SWHP Wichita Falls, LP
2400-A Roosevelt
Arlington, TX 76016
Telephone: (817) 261-5088
Telecopier: (817) 261-5095

Re: Green Briar Apartments, IDHCA# 05058

Dear Mr. Stevenson:

On March 1, 2005, you submitted an application for the above-referenced development. In that application you requested 2 points under Section 49.9(g)(20) of the Qualified Allocation Plan (QAP). This section provided, in part, "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." Our research indicates that you, Randy Stevenson, are acting as a principal in the General Partner, Southwest Housing Providers, LLC. You signed various documents (i.e. loan commitment) as Vice President of Southwest Housing Providers, LLC, the entity under which the applicant is claiming HUB points. However, three previous developments of which you are a principle have already been issued 8609's as of March 1, 2005. The applications for which 8609's have been issued are: Parkstone Senior Village, #00066, Parkstone Crossroads Apartments, #01090, and Limestone Ridge Apartments, #01150.

Under Section 49.5(b)(1) of the QAP, "The provision of fraudulent information, knowingly false 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", may disqualify an application or debar a Person if it is determined that a violation has occurred under this section.

It has been determined that by knowingly violating Section 49.9(g)(20) of the QAP, you have violated Section 49.5(b)(1) of the QAP. Therefore, please be informed that

Mr. Randy Stevenson

July 1, 2005

Page 2 of 2

pursuant to this section of the QAP, the Department has disqualified this application from the 2005 Application Cycle and therefore terminated this Application and no further action will be taken on it.

Please be aware that an Appeals Policy exists for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP. If you wish to appeal this application termination decision, you must file your appeal with the Department no later than July 8, 2005. However, in the event that the Executive Director denies your appeal and you would like to be placed on the July 14, 2005 agenda, you must file your appeal no later than July 7, 2005. You must indicate in your appeal that you would like to be placed on the Board agenda in the event of Executive Director's denial. The restrictions and requirements relating to the filing of an appeal can be found in §49.17(b) of the 2005 QAP.

Please note that in the event that either the Executive Director or Board approves your appeal and the application is then reinstated, you will be reissued a revised final scoring notice which will rescind the 2 points for HUB participation.

If you have any questions, please do not hesitate to contact Jennifer Joyce at jennifer.joyce@tdhca.state.tx.us or at 512.475.3995.

Sincerely,



Brooke Boston
Multifamily Finance Production Division Director

BOARD ACTION SUMMARY

MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Action Items

1. Proposed Draft 2006 Qualified Allocation Plan and Rules to be published for public comment.
2. Proposed repeal of the 2004 Qualified Allocation Plan and Rules.

Required Action

Approve, or approve with amendments, the 2006 Draft Qualified Allocation Plan and Rules, to be published for public comment. Approve the proposed repeal of the 2004 Qualified Allocation Plan and Rules.

Background and Recommendations

Attached behind this Board Action Item is the 2006 Draft Qualified Allocation Plan and Rules (“Draft QAP”) which reflects staff’s recommendations for revisions to the 2005 QAP for the Board’s consideration. The document is shown as a “blackline” of the 2005 QAP – additions are shown as underlined text and deletions are shown as marked through text.

The 2006 Draft QAP being recommended by staff further ensures compliance with all statutory requirements, incorporates some initial public input, and includes recommendations for revisions of necessary policy and administrative changes to further enhance the Housing Tax Credit Program’s operation. The remainder of this document summarizes the proposed revisions.

Summary of Recommendations from Staff

This section outlines substantive recommendations being made by staff. Less substantive issues, details of revisions, formatting adjustments, and streamlining are not summarized, but are reflected in the Draft QAP attached. Citation references are to the numbered sections of the 2006 Draft QAP.

1. **§50.3 – Definitions (Page 2 of 65).** Definitions are being added or substantially revised for the following terms to bring greater clarity to the meanings and concepts utilized or to create definitions for terms now added in other sections of the QAP: Area, Community Revitalization Plan, Governmental Instrumentality, Local Political Subdivision, New Construction, Persons with Special Needs, Rehabilitation, Unit, and Urban/Exurban Area. Definitions for Historic Development and Prison Community were deleted as they were no longer being used in the 2006 Draft QAP.
2. **§50.3(13) – Definition for At-Risk (Page 3 of 65).** This definition already includes preservation of existing §42 properties whose affordability was ‘nearing expiration’; however, it has been clarified to be more explicit about what ‘nearing expiration’ means for the properties and specifies that developments that are eligible to request a qualified contract under Section 42 of the Code meet the definition of At-Risk.

3. **§50.3(49) – Definition for Ineligible Building Types (Page 6 of 65).** This definition is revised to now allow 5% of the Units in a Development to be comprised of 4 bedrooms, as opposed to the full restriction in the 2005 QAP. Language is being revised to now make the unit mix percentages apply only to Urban/Exurban Applications and to adjust the percentage maximums for one, two and three bedroom units to be less restrictive.
4. **§50.5(a)(10) and (11) and (b)(9) – Ineligibility and Disqualification/Debarment (Page 10 of 65).** Two new ineligibility criteria are added – paragraph (a)(10) is proposed to increase dispersion. Paragraph (a)(11) is proposed to address continued concerns by legislators and the public regarding saturation of new construction in particular regions of the state. Paragraph (b)(9) ensures greater compliance with debarment language in statute.
5. **§50.6(g) – Rehabilitation Costs (Page 15 of 65).** Minimum required hard costs are proposed to increase from \$6,000 per unit to \$12,000 per unit with the exception of USDA developments.
6. **§50.7(a) and (b) – Regional Allocation Formula and Set Asides (Page 15 of 65).** A requirement for USDA and At-Risk Applications to submit a “Notice of Intent” at Pre-Application to be eligible for their set-asides is being added to minimize the detrimental impact on other applications in the region by applications in those set-asides that do not submit a pre-application.
7. **§50.9(d), (e) and (f) – Evaluation Processes (Page 19 of 65).** Revisions are being made to paragraph (d) which governs the process for the competitive 9% applications and two new sections are being added to ensure that the rule gives clear guidance on the different processing requirements for Tax Exempt Bond Development Applications and Rural Rescue Applications. It should be noted that these are not new processes, but merely codify the procedures already in place for those two different types of credit applications.
8. **§50.9(g) – Pre-Certification Procedures (Page 22 of 65).** In the 2005 QAP, applicants were required under previous subparagraphs (2) through (4) to submit pre-certification documentation for financials, experience and previous participation no later than 14 days before an application was submitted. Based on public and internal feedback, staff recommends the deletion of the pre-certification requirements for Financial Statement and Authorization to Release Credit Information, Previous Participation and National Previous Participation. The efficiencies originally intended when this concept was first proposed several years ago have not been realized. All of the documentation for those items is now required to be submitted in the application as part of threshold. The requirement for pre-certification for experience remains in the Draft QAP as a requirement due 14 days prior to the Application being submitted. Staff believes that this process does continue to save time and resources. Further, the experience threshold is revised so that applicants only applying for a small number of units do not need the same level of experience as applicants applying for a larger number of units. A new percentage requirement is added to implement this.
9. **§50.9(h)(4)(J) and (K) – Threshold: Certifications (Page 26 of 65).** Language is being added to require a certification that the Applicant, Developer, or affiliated parties are not affiliated with, and have not given any assistance to, any neighborhood organizations for purposes of Quantifiable Community Participation. A certification is also added referring to the owner’s commitment to cooperate with local public housing authorities on their waiting lists.
10. **§50.9(h)(7) – Threshold: Readiness to Proceed (Page 27 of 65).** Provides clarifying language regarding identity of interest transactions.

11. **§50.9(h)(8) – Threshold: Notifications (Page 29 of 65).** Staff is providing language that simplifies the evidence required to be submitted to the Department to meet this requirement. Staff is also adding that “other impacted homeowner’s associations” be notified at both the pre-application and application notification period.
12. **§50.9(h)(9) – Threshold: Previous Participation (Page 31 of 65).** Staff recommends deleting language throughout the QAP that previously limited the term for Affiliate and the test for Material Noncompliance to entities with more than a 10% ownership interest; by striking this, the definition for Affiliate and the test for Material Noncompliance will apply to anyone with any ownership interest.
13. **§50.9(h)(14) – Threshold: Supplemental Threshold Reports (Page 34 of 65).** Updated language to provide needed clarification and to require electronic copies of the reports.
14. **§50.9(i) – Selection Criteria (Page 36 of 65).** A minimum score requirement has been added that must be achieved to be eligible for an award of tax credits unless an application is submitted under the USDA Set-Aside. The minimum score is 115 points, which is 60% of the total possible points (191) in Selection Criteria. Please refer to the chart on the last page for a complete list of the scoring items for the Draft QAP.

For comparative purposes, if a minimum score of 60% (126 points) had been applied to the 2005 9% HTC cycle, seven applications (5% of all active applications) would have been ineligible because the Application’s score was not high enough. Of those seven that would have been ineligible, six were Applications in the USDA Set-Aside and six of the seven were awarded tax credits in 2005.

15. **§50.9(i)(2) – Selection: Quantifiable Community Participation (Page 36 of 65).** Clarifications are made which include, but are not limited to, adding a deficiency process for registering an organization with the Department, requiring bylaws, clarifying when boundaries (and annexations) must be effective, clarifying boundaries that include only part of a development site, and limiting the applicant’s involvement in communication. The point structure is changed to range from +12 for highest support and -12 for highest opposition to facilitate greater public understanding of the points. This “spread” of points totals 24 and QCP remains the second highest scoring item.
16. **§50.9(i)(5)(A) – Selection: The Commitment of Funding by Local Political Subdivisions (Page 40 of 65).** Government Code 2306.6710(b)(1)(E) directs the Department to score and rank application using a point system that prioritizes "the Commitment of development funding by local political subdivisions." By subsidizing paying residents, rental assistance on previous paragraph (B) leverages tenant's income, which increases income to the development. However, as this subsidy contributes no funding to the actual development of the project, staff believes that these rental subsidies contribute to operating income and cannot be considered development funding under Chapter 2306, and therefore should not count for points under that section. Therefore, paragraph (B) is proposed to be deleted. In the remaining portion, clarifying language is added to this section; the deadline for the evidence of commitment being due is moved from Commitment Notice submission to May 1, 2006; and restrictions on “pass-through” funds are added.
17. **§50.9(i)(6) – Selection: The Level of Community Support from State Elected Officials (Page 41 of 65).** The point structure is adjusted from a maximum of +14 for support and -14 for opposition to a maximum of +8 for support and -8 for highest opposition to ensure that the “spread” of points places this as the sixth most valuable point scoring item.

18. **§50.9(i)(15) – Selection: Tenant Populations with Special Needs (Page 43 of 65).** This item is revised to remove points for Transitional Housing which had been used only to a very limited degree and which caused confusion for many applicants. To continue to meet the §42 requirement for this item, points are proposed for serving Persons with Special Needs consistent with the approach used in many other states.
19. **§50.9(i)(20) – Selection: Sponsor Characteristics (Page 45 of 65).** This item is revised to remove the HUB points and proposes a Sponsor Characteristic scoring item that gives points to all applications that have not had an instance since 2000 of having been issued a carryover but did not perform by failing to place the buildings in service.
20. **§50.9(i)(22) and (23) – Selection: Leveraging and Third Party Funding (Page 46 of 65).** Clarifying language is added to these sections; the deadline for the evidence of commitment being due is being moved from Commitment Notice submission to May 1, 2006; restrictions on “pass-through” funds are added; and the rule will require arms-length (non Related Party) transactions.
21. **§50.9(j) – Tie Breakers (Page 47 of 65).** Staff recommends replacing the first two tie breakers based on Applicant concerns in the past that the tie breakers in place were not successful in determining the better Applications in the event of a tie.
22. **§50.12(b) and §50.14(b) – Fair Housing Training (Page 51 and 54 of 65).** Clarification is added to explain exactly who must attend the fair housing training, how many hours of training are required and the necessary content of the training. Clarification is also added for when the evidence of Fair Housing training, Management Plan and Affirmative Marketing Plan must be submitted for Tax-Exempt Bond Developments.
23. **§50.14(a) – Material Noncompliance at Carryover (Page 54 of 65).** A new requirement is proposed that would only allow the Department to execute a Carryover Allocation agreement with an applicant if they are not in Material Noncompliance on October 1, 2006. This October test for Material Noncompliance is in addition to the test run during the Application period.
24. **§50.15 – LURA, Cost Certification (Page 55 of 65).** These sections “appear” significantly revised but indeed are primarily a reorganization of existing language and codification of requirements or standards currently in the Cost Certification Procedures Manual.
25. **§50.17(c) – Provision of Information or Allegations Regarding Applications (Page 59 of 65).** Language is added to describe how the Department will handle information or allegations received on 2006 Applications.
26. **§50.17(d) and §50.20(l)– Amendments and Extensions (Page 59 and 63 of 65).** Language is added that requires requests for amendments to be submitted at least 30 days prior to the board meeting where the amendment will be considered and requires requests for extensions to be submitted at least 15 days prior to the board meeting where the extension will be considered.
27. **§50.20 – Fees and Penalties (Page 62 of 65).** The fee currently applied to extensions is expanded to also apply to amendments which are generally quite time-consuming to process. Additionally a penalty is proposed for Development Owners who submit their Cost Certification documentation at a point in time which causes the Department to be unable to reallocate any lost credits. They would be charged a penalty fee equal to the one year credit amount of the lost credits.

Scoring Breakdown in Descending Order of Points for the Draft 2006 QAP

QAP Para.#	Topic	Total Points	Notes	Legislative Citation - Compare to QAP
1	Financial Feasibility	28	NA	2306.6710(b)(1)(A)
2	QCP from Neighborhood Organizations	12 Max (24 Spread)	Range of +12 to -12 with 0 being neutral	2306.6710(b)(1)(B); 2306.6725(a)(2)
3	Income Levels of the Tenants	22	NA	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		2306.6710(b)(1)(D); 42(m)(1)(C)(iii)
5	Commitment of Funding by Local Political Subdivisions	18	NA	2306.6710(b)(1)(E)
6	State Elected Official Support/Opposition	8 Max (16 Spread)	Range of +8 to -8	2306.6710(b)(1)(F) and (g); 2306.6725(a)(2)
7	Rent Levels of the Units	12	NA	2306.6710(b)(1)(G)
8	Cost Per Square Foot	10	NA	2306.6710(b)(1)(H); 42(m)(1)(C)(iii)
9	Services Provided to Tenants	8	NA	2306.6710(b)(1)(I); 2306.254; 2306.6725(a)(1); Rider 7
10	Housing Needs	7	NA	42(m)(1)(C)(ii)
11	Existing Housing with Revitalization	7	NA	42(m)(1)(C)(iii)
12	Pre-Application	6	NA	2306.6704
13	Development Location	4	NA	2306.6725(a)(4) and (b)(2); 2306.127; Rider 6 42(m)(1)(C)(i) and (vii)
14	Exurban or Reconstruction or Rehabilitation	7	NA	2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i)
15	Special Housing Needs Populations	4	NA	42(m)(1)(C)(v)
16	Length of Affordability	4	NA	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)
17	Site Characteristics	4	Up to 4 points for positive amenities. Up to -5 points for negative features	NA
18	Development Size	3	NA	NA
19	Location in QCT with Revitalization	2	NA	42(m)(1)(B)(ii)(III)
20	Sponsor Characteristics	2	NA	42(m)(1)(C)(iv)
21	Right of First Refusal	1	NA	2306.6725(b) 42(m)(1)(C)(viii)
22	Leveraging of Private, State and Federal Funds	1	NA	2306.6725(a)(3)
23	Third Party Commitment Outside of QCT	1	NA	2306.6710(e)(1)
24	Penalties	NA	Range	2306.6710(b)(2)

Maximum Number of Points Possible: 191



Multifamily Finance Production Division

**2006 Draft Housing Tax Credit Program
Qualified Allocation Plan and Rules with Amendments**

§50.1. PURPOSE AND AUTHORITY; PROGRAM STATEMENT; ALLOCATION GOALS. 2

§50.2. COORDINATION WITH RURAL AGENCIES. 2

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§49-50.1. Purpose and Authority; Program Statement; Allocation Goals.

(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. The Internal Revenue Code of 1986, §42, as amended, provides for credits against federal income taxes for owners of qualified ~~low-income~~ low-income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Chapter 2306, Subchapter DD, Texas Government Code, Executive Order AWR 92-3 (March 4, 1992), the Department ~~is~~ was authorized to make Housing Credit Allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed this Qualified Allocation Plan (QAP) which is set forth in §§49-50.1 - 49-50.23 of this title. 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) **Program Statement.** The Department shall administer the program to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, accessible, affordable rental housing in the private marketplace; maximize the number of suitable, accessible, affordable residential rental units added to the state's housing supply; prevent losses for any reason to the state's supply of suitable, accessible, affordable residential rental units by enabling the R rehabilitation of rental housing or by providing other preventive financial support; and provide for the participation of for-profit organizations and provide for and encourage the participation of nonprofit organizations in the acquisition, development and operation of accessible affordable housing developments in rural and urban communities. (2306.6701)

(c) **Allocation Goals.** It shall be the goal of this Department and the Board, through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula; ~~and 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.~~ The processes and criteria utilized to realize this goal are described in §49-50.8 and §49-50.9 of this title, without in any way limiting the effect or applicability of all other provisions of this title. (General Appropriation Act, Article VII, Rider 8(e))

§49-50.2. Coordination with Rural Agencies.

To ~~ensure assure~~ ensure maximum utilization and optimum geographic distribution of tax credits in rural areas, and to ~~provide for~~ achieve increased sharing of information, ~~reduction of processing~~ efficient procedures, and fulfillment of Development compliance requirements in rural areas, the Department has entered into a Memorandum of Understanding (MOU) with the TX-USDA-RHS to coordinate on existing, Rehabilitation ~~rehabilitated~~, and New ~~C~~ Construction housing Developments financed by TX-USDA-RHS; and will jointly administer the Rural Regional Allocation with the Texas Office of Rural Community Affairs (ORCA). Through participation in hearings and meetings, ORCA will assist in developing all Threshold, Selection and Underwriting Criteria applied to Applications eligible for the Rural Regional Allocation. The Criteria will be approved by that Agency. To ensure that the Rural Regional Allocation receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts. (2306.6723)

§49-50.3. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) **Administrative Deficiencies**--The absence of information or a document from the Application ~~which is important to a review and scoring of the Application~~ as is required under §50.5, §50.6, §49-50.8(d) and §49-50.9(ge), (hf), i and (gj) of this title.

(2) **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, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with ~~an at least a 10% ownership interest.~~

(3) **Agreement and Election Statement**--A document in which the Development Owner elects, irrevocably, to fix the Applicable Percentage with respect to a building or buildings, as that in effect for the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.

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(4) **Applicable Fraction**--The fraction used to determine the Qualified Basis of the qualified ~~low income~~ ~~low-income~~ building, which is the smaller of the Unit fraction or the floor space fraction, all determined as provided in the Code, §42(c)(1).

(5) **Applicable Percentage**--The percentage used to determine the amount of the Housing Tax Credit, as defined more fully in the Code, §42(b).

(A) For purposes of the Application, the Applicable Percentage will be projected at 10 basis points above the greater of:

(i) the current applicable percentage for the month in which the Application is submitted to the Department, or

(ii) the trailing 1-year, 2-year or 3-year average rate in effect during the month in which the Application is submitted to the Department.

(B) For purposes of making a credit recommendation at any other time, the Applicable Percentage will be based in order of priority on:

(i) The percentage indicated in the Agreement and Election Statement, if executed; or

(ii) The actual applicable percentage as determined by the Code, §42(b), if all or part of the Development has been placed in service and for any buildings not placed in service the percentage will be the actual percentage as determined by Code, §42(b) for the most current month; or

(iii) The percentage as calculated in subparagraph (A) of this paragraph if the Agreement and Election Statement has not been executed and no buildings have been placed in service.

(6) **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)

(7) **Application**--An application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material. (2306.6702)

(8) **Application Acceptance Period**--That period of time during which Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department as more fully described in ~~§49.50.9(a)~~ and ~~§49.50.21~~ of this title. For ~~Tax-Exempt~~ ~~Tax-Exempt~~ Bond Developments this period is that period of time prior to the deadline stated in ~~§49.50.12~~ of this title, and for Rural Rescue Applications this is that period of time stated in the Rural Rescue Policy.

(9) **Application Round**--The period beginning on the date the Department begins accepting Applications for the State Housing Credit Ceiling and continuing until all available Housing Tax Credits from the State Housing Credit Ceiling (as stipulated by the Department) are allocated, but not extending past the last day of the calendar year. (2306.6702)

(10) **Application Submission Procedures Manual**--The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for the filing of Pre-Applications and Applications for Housing Tax Credits.

(11) Area--An incorporated place or Census Designated Place as defined by the U.S. Census Bureau. Developments located outside the boundaries of a place shall use the Area definition of the closest place.

~~(12)~~ **Area Median Gross Income (AMGI)**--Area median gross household income, as determined for all purposes under and in accordance with the requirements of the Code, §42.

~~(13)~~ **At-Risk Development**--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 the following federal laws, as applicable:

(i) Sections 221(d)(3) and (5), National Housing Act (12 U.S.C. Section 17151);

(ii) Section 236, National Housing Act (12 U.S.C. Section 1715z-1);

(iii) Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q);

(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 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, 515, and 516, Housing Act of 1949 (42 U.S.C. Sections 1484, 1485, and 1486);

and

(viii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 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 calendar years of July 31 of the year the Application is submitted); or

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(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 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 must retain or renew all possible financial benefit to qualify as an At-Risk Development. ~~(2306-6702)~~

(E) Nearing expiration on a requirement to maintain affordability includes Developments eligible to request a qualified contract under Section 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.

~~(143)~~ **Bedroom**--A portion of a Unit set aside for sleeping which is no less than 100 square feet; has no width or length less than 8 feet; 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.

~~(154)~~ **Board**--The governing Board of the Department. (2306.004)

~~(165)~~ **Carryover Allocation**--An allocation of current year tax credit authority by the Department pursuant to the provisions of the Code, §42(h)(1)(C)(E) and Treasury Regulations, §1.42-6.

~~(176)~~ **Carryover Allocation Document**--A document issued by the Department, and executed by the Development Owner, pursuant to §49-50.14 of this title.

~~(187)~~ **Carryover Allocation Procedures Manual**--The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing Carryover Allocation requests.

~~(198)~~ **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 United States Department of the Treasury or the Internal Revenue Service.

~~(2049)~~ **Colonia**--A geographic Area located in a county some part of which is within 150 miles of the international border of this state and that:

(A) has a majority population composed of individuals and families of ~~low-income~~low-income and very ~~low-income~~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, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.

~~(210)~~ **Commitment Notice**--A notice issued by the Department to a Development Owner pursuant to §49-50.13 of this title and also referred to as the "commitment."

(22) Community Revitalization Plan--A published document, approved and adopted by the local governing body by ordinance or resolution, that targets local funds to specific geographic areas (the geographic area cannot be the entire town or city that has adopted the plan) for low-income residential Developments (serving residents at, or below, 60% of the area median income).

~~(234)~~ **Compliance Period**--With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1).

~~(242)~~ **Control**--(including the terms "Controlling," "Controlled by", and/or "under common Control with") the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner of a limited liability company.

~~(253)~~ **Cost Certification Procedures Manual**--The manual produced, and amended from time to time, by the Department which sets forth procedures, forms, and guidelines for filing requests for IRS Form(s) 8609 for Developments placed in service under the Housing Tax Credit Program.

~~(264)~~ **Credit Period**--With respect to a building within a Development, the period of ten 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 the Code, §42(f)(1).

~~(275)~~ **Department**--The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established by Chapter 2306, Texas Government Code, including Department employees and/or the Board. (2306.004)

~~(286)~~ **Determination Notice**--A notice issued by the Department to the Development Owner of a ~~Tax Exempt~~Tax-Exempt Bond Development which states that the Development may be eligible to claim Housing Tax

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Credits without receiving an allocation of Housing Tax Credits from the State Housing Credit Ceiling because it satisfies the requirements of this QAP; sets forth conditions which must be met by the Development before the Department will issue the IRS Form(s) 8609 to the Development Owner; and specifies the Department's determination as to the amount of tax credits necessary for the financial feasibility of the Development and its viability as a rent restricted Development throughout the affordability period. (42(m)(1)(D))

~~(297)~~ **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 (which fee cannot exceed 15% of the Eligible Basis) and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

~~(3028)~~ **Development**--A proposed qualified ~~low-income~~low-income housing project, as defined by the Code, §42(g), for New Construction or Rehabilitation, as defined by the Code, §42(g), that consists of one or more buildings containing multiple Units, and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

(A) located on a single site or contiguous site; or

(B) located on scattered sites and contain only rent-restricted units. (2306.6702)

~~(3129)~~ **Development 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.

~~(320)~~ **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 approved by the Department. (2306.6702)

~~(334)~~ **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.

~~(342)~~ **Economically Distressed Area**--Consistent with §17.921 of Texas Water Code, an Area in which:

(A) water supply or sewer services are inadequate to meet minimal needs of residential users as defined by Texas Water Development Board rules;

(B) financial resources are inadequate to provide water supply or sewer services that will satisfy those needs; and

(C) an established residential subdivision was located on June 1, 1989, as determined by the Texas Water Development Board.

~~(353)~~ **Eligible Basis**--With respect to a building within a Development, the building's Eligible Basis as defined in the Code, §42(d).

~~(364)~~ **Executive Award and Review Advisory Committee ("The Committee")**--A Departmental committee that will develop funding priorities and make funding and allocation~~commitment~~ recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities. (2306.11126702)

~~(375)~~ **Extended Housing Commitment**--An agreement between the Department, the Development Owner and all successors in interest to the Development Owner concerning the extended housing use of buildings within the Development throughout the extended use period as provided in the Code, §42(h)(6). The Extended Housing Commitment with respect to a Development is expressed in the LURA applicable to the Development.

~~(386)~~ **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."

~~(3937)~~ **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.

~~(4038)~~ **Governmental Entity**--Includes federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities.

(41) Governmental Instrumentality--A legal entity such as a housing authority of a city or county, a housing finance corporation, or a municipal utility, which is created by a local political subdivision under statutory authority and which instrumentality is authorized to transact business for the political subdivision.

~~(4239)~~ **Guarantor**--Means any Person that provides, or is anticipated to provide, a guaranty for the equity or debt financing for the Development.

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~~(40) Historic Development--A residential Development that has received a historic property designation by a federal, state or local government entity.~~

(434) **Historically Underutilized Businesses (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, Texas Government Code.

(442) **Housing Credit Agency**--A Governmental Entity charged with the responsibility of allocating Housing Tax Credits pursuant to the Code, §42. For the purposes of this title, the Department is the sole "Housing Credit Agency" of the State of Texas.

~~(453) 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 title.

(464) **Housing Credit Allocation Amount**--With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a Development throughout the affordability period and which it allocates to the Development.

(475) **Housing Tax Credit ("tax credits")**--A tax credit allocated, or for which a Development may qualify, under the Housing Tax Credit Program, pursuant to the Code, §42. (2306.6702)

(486) **HUD**--The United States Department of Housing and Urban Development, or its successor.

(4947) **Ineligible Building Types**--Those Developments which are ineligible, pursuant to this QAP, for funding under the Housing Tax Credit Program, as follows:

(A) 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 (other than certain specific types of transitional housing for the homeless and single room occupancy units, as provided in the Code, §42(i)(3)(B)(iii) and (iv)) 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. Refer to IRS Revenue Ruling 98-47 for clarification of assisted living.

(B) 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.

(C) Any Qualified Elderly Development with any Units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Development proposing New Construction, other than a Development (New Construction or Rehabilitation) composed entirely of single-family dwellings, having more than 5% of the Units in the Development any Units with four or more bedrooms.

(F) Any Development that violates the Integrated Housing Policy of the Department, §1.15 of this title.

(G) Any Development located in an Urban/Exurban Area involving any New Construction of additional Units (other than a Qualified Elderly Development, a single family development or a transitional housing development) in which any of the designs in clauses (i) - (iii) of this subparagraph are proposed. For purposes of this limitation, a den, study or other similar space that could reasonably function as a bedroom will be considered a bedroom. 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. An Application may reflect a total of Units for a given bedroom size greater than the percentages stated below to the extent that the increase is only to reach the next highest number divisible by four.

(i) more than ~~30~~⁶⁰% of the total Units are one bedroom Units; or

(ii) more than ~~55~~⁴⁵% of the total Units are two bedroom Units; or

(iii) more than ~~40~~³⁵% of the total Units are three bedroom Units.

~~(5048) IRS~~--The Internal Revenue Service, or its successor.

(5149) **Land Use Restriction Agreement (LURA)**--An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter, Chapter 2306, Texas Government Code, and the requirements of the Code, §42. (2306.6702)

~~(52) Local Political Subdivision~~--A county or municipality (city) in Texas. For purposes of §50.9(i)(5) of this title, a local political subdivision may act through a government instrumentality such as a housing authority, housing finance corporation, or municipal utility.

~~(530) Material Noncompliance/Non-Compliance~~--As defined in §60.1 of this title.

(544) **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.

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Minority group includes women, African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin. (2306.6734)

~~(552) New Construction--Any Development not meeting the definition of Rehabilitation.~~

~~(56) ORCA--Office of Rural Community Affairs, as established by Chapter 487 of Texas Government Code. (2306.6702)~~

~~(573) Person--Means, 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.~~

~~(584) Persons with Disabilities--A person who:~~

~~(A) has a physical, mental or emotional impairment that:~~

~~(i) is expected to be of a long, continued and indefinite duration,~~

~~(ii) substantially impedes his or her ability to live independently, and~~

~~(iii) is of such a nature that the disability could be improved by more suitable housing conditions,~~

~~(B) has a developmental disability, as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. Section 15002), or~~

~~(C) has a disability, as defined in 24 CFR §5.403.~~

~~(59) Persons with Special Needs--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.~~

~~(6055) Pre-Application--A preliminary application, in a form prescribed by the Department, filed with the Department by an Applicant prior to submission of the Application, including any required exhibits or other supporting material, as more fully described in §49-50.8 and §49-50.21 of this title. (2306.6704)~~

~~(6156) Pre-Application Acceptance Period--That period of time during which Pre-Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department.~~

~~(6257) 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 LP and Principals with at least 10% 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 ten percent or more interest in the corporation; and~~

~~(C) limited liability companies, Principals include all managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.~~

~~(58) Prison Community--A city or town which is located outside of a Metropolitan Statistical Area (MSA) or Primary Metropolitan Statistical Area (PMSA) and was awarded a state prison within the past five years.~~

~~(6359) 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.~~

~~(640) Qualified Allocation Plan (QAP)--~~

~~(A) As defined in §42(m)(1)(B): Any plan which sets forth selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions; which also gives preference in allocating housing credit dollar amounts among selected projects to projects serving the lowest income/lowest-income tenants, projects obligated to serve qualified tenants for the longest periods, and projects which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan; and which provides a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of §42 and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.~~

~~(B) As defined in §2306.6702, Texas Government Code: A plan adopted by the board under this subchapter that provides the threshold, scoring, and underwriting criteria based on housing priorities of the Department that are appropriate to local conditions; 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; and consistent with §2306.6710(e), 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 third-party funding sources, serve the lowest income/lowest-income tenants per housing tax credit; and~~

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(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~~low-income housing tax credit program.

~~(654)~~ **Qualified Basis**--With respect to a building within a Development, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of the Code, §42(c)(1).

~~(662)~~ **Qualified Census Tract**--Any census tract which is so designated by the Secretary of HUD in accordance with the Code, §42(d)(5)(C)(ii).

~~(673)~~ **Qualified Elderly Development**--A Development which meets the requirements of the federal Fair Housing Act and:

(A) is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) is intended and operated for occupancy by at least one individual 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b)).

~~(684)~~ **Qualified Market Analyst**--A real estate appraiser certified or licensed by the Texas Appraiser or Licensing and Certification Board, ~~or~~ 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.

~~(6965)~~ **Qualified Nonprofit Organization**--An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not affiliated with or Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of ~~low income~~low-income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more of the Set-Asides, including, but not limited to, the nonprofit Set-Aside, the At-Risk Development Set-Aside and the TX-USDA-RHS Allocation. (2306.6729)

~~(7066)~~ **Qualified Nonprofit Development**--A Development in which a Qualified Nonprofit Organization (directly or through a partnership or wholly-owned subsidiary) holds a controlling interest, materially participates (within the meaning of the Code, §469(h), as it may be amended from time to time) in its development and operation throughout the Compliance Period, and otherwise meets the requirements of the Code, §42(h)(5). (2306.6729)

~~(7167)~~ **Reference Manual**--That certain manual, and any amendments thereto, produced by the Department which sets forth reference material pertaining to the Housing Tax Credit Program.

(72) Rehabilitation--The improvement or modification of an existing structure through alterations, incidental additions or enhancements. Rehabilitation includes repairs necessary to correct the results of deferred maintenance, the replacement of principal fixtures and components, improvements to increase the efficient use of energy, and installation of security devices. Rehabilitation may include demolition, reconstruction and adding rooms outside the existing walls of a structure, but adding a housing unit is considered New Construction.

~~(7368)~~ **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, Texas Government Code;

(ii) a person and a corporation, if the person owns more than 50 percent 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 percent 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;

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(vii) a fiduciary of a trust and a corporation if more than 50 percent 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 the Code, §501(a), 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) 50 percent of the outstanding stock of the corporation; and
- (II) 50 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 percent of the outstanding stock of each corporation;

(xi) an S corporation and a C corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;

(xii) a partnership and a person or organization owning more than 50 percent 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 percent 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.

~~(7469)~~ **Rules**--The Department's Housing Tax Credit Program Qualified Allocation Plan and Rules as presented in this title.

~~(750)~~ **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 20,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for New Construction or Rehabilitation funding by TX-USDA-RHS. (2306.6702)

~~(764)~~ **Rural Development**--A Development located within a Rural Area. A Rural Development may not exceed 76 Units if New Construction, and for which the Applicant applies for tax credits under the Rural Regional Allocation.

~~(772)~~ **Selection Criteria**--Criteria used to determine housing priorities of the State under the Housing Tax Credit Program as specifically defined in ~~§49.50.9~~ (ig) of this title.

~~(783)~~ **Set-Aside**--A reservation of a portion of the available Housing Tax Credits under the State Housing Credit Ceiling to provide financial support for specific types of housing or geographic locations or serve specific types of Applications or Applicants as permitted ~~required~~ by the Qualified Allocation Plan on a priority basis. (2306.6702)

~~(7974)~~ **State Housing Credit Ceiling**--The limitation ~~imposed by the Code, §42(h)~~, on 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 the Code, §42(h)(3)(C).

~~(8075)~~ **Student Eligibility**--Per the Code, §42(i)(3)(D), "A unit shall not fail to be treated as a low-income unit merely because it is occupied:

(A) by an individual who is:

(i) a student and receiving assistance under Title IV of the Social Security Act (42 U.S.C. §§601 et seq.), or

(ii) enrolled in a job training program receiving assistance under the Job Training Partnership Act (29 USCS §§1501 et seq., generally; for full classification, consult USCS Tables volumes) or under other similar Federal, State, or local laws, or

(B) entirely by full-time students if such students are:

(i) single parents and their children and such parents and children are not dependents (as defined in section 152) of another individual, or

(ii) married and file a joint return."

~~(8176)~~ **Tax-Exempt 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 the Code, §42(h)(4), such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

~~(8277)~~ **Third Party**--A Third Party is a Person who is not an:

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- (A) 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) Person(s) receiving any portion of the contractor fee or developer fee.

~~(8378)~~ **Threshold Criteria**--Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in ~~§49-50.9(h)~~ of this title. (2306.6702)

~~(8479)~~ **Total Housing Development Cost**--The total of all costs incurred or to be incurred by the Development Owner in acquiring, constructing, rehabilitating and financing a Development, as determined by the Department based on the information contained in the Application. Such costs include reserves and any expenses attributable to commercial areas. Costs associated with the sale or use of Housing Tax Credits to raise equity capital shall also be included in the Total Housing Development Cost. Such costs include but are not limited to syndication and partnership organization costs and fees, filing fees, broker commissions, related attorney and accounting fees, appraisal, engineering, and the environmental site assessment.

~~(850)~~ **TX-USDA-RHS**--The Rural Housing Services (RHS) of the United States Department of Agriculture (USDA) serving the State of Texas (formerly known as TxFmHA) or its successor.

~~(864)~~ **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. (2306.6702) For purposes of completing the Rent Schedule for loft or studio type Units (which still must meet the definition of Bedroom), a Unit with 650 square feet or less is considered not more than a one-bedroom Unit, a Unit with 651 to 900 square feet is considered not more than a two-bedroom Unit and a Unit with greater than 900 square feet is considered not more than a three-bedroom Unit.

~~(872)~~ **Urban/Exurban Area-- Non-Rural Areas** located within the boundaries of a metropolitan Area as designated by the US Office of Management and Budget as of November 1, 2005, or for Tax-Exempt Bond Developments or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.), the date Volume III is submitted to the Department.

An incorporated place or census designated place with:

- (A) a population greater than 20,000; or
- (B) of any population size that shares a boundary with an incorporated place or census designated place with a population greater than 20,000 in an MSA; and
- (C) that does not meet the qualifications for a Rural Area as defined in paragraph 70(C) of this section.

~~§49-50.4.~~ State Housing Credit Ceiling.

The Department shall determine the State Housing Credit Ceiling for each calendar year as provided in the Code, §42(h)(3)(C), using such information and guidance as may be made available by the Internal Revenue Service. The Department shall publish each such determination in the *Texas Register* within 30 days after the receipt of such information as is required for that purpose by the Internal Revenue Service. The aggregate amount of commitments of Housing Credit Allocations made by the Department during any calendar year shall not exceed the State Housing Credit Ceiling for such year as provided in the Code, §42. As permitted by §42(h)(4), Housing Credit Allocations made to ~~Tax-Exempt~~Tax-Exempt Bond Developments are not included in the State Housing Credit Ceiling.

~~§49-50.5.~~ 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.

(a) **Ineligibility.** An Application ~~will be~~ is ineligible if:

- (1) The Applicant, Development Owner, Developer or Guarantor 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) The Applicant, Development Owner, Developer or Guarantor has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline; or,
- (3) The Applicant, Development Owner, Developer or Guarantor 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

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(4) The Applicant, Development Owner, Developer or Guarantor with any past due audits has not submitted those past due audits to the Department in a satisfactory format ~~on or before the close of the Application Acceptance Period~~. 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~~Tax-Exempt Bond Developments or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than 30 days after Volume III of the application is submitted ~~is unresolved as of the date the Application is submitted~~; or

(5) (2306.6703(a)(1)) 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~~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.

(6) (2306.6703(a)(2)) The Applicant proposes to replace in less than 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 30 years or more 100 percent 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 percent 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,

(7) The Development is located in a municipality or, if located 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~~Tax-Exempt Bond Developments at the time the reservation is made by the Texas Bond Review Board) unless the Applicant: (2306.6703(a)(4))

(A) has obtained prior approval of the Development from the governing body of the appropriate municipality or county containing the Development ~~in the form of a resolution~~; and

(B) has included in the Application a written statement of support from that governing body referencing this rule and authorizing an allocation of housing tax credits for the Development;

(C) For purposes of this paragraph, evidence under subparagraphs (A) and (B) of this paragraph must be received by the Department no later than April 1, ~~2005-2006~~ (or for ~~Tax-Exempt~~Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be considered) and may not be more than one year old; or

(8) The Applicant proposes to construct a new Development that is located one linear mile (measured by a straight line on a map) or less from a Development that: (2306.6703(a)(3))

(A) serves the same type of household as the new Development, regardless of whether the Developments serve families, elderly individuals, or another type of household;

(B) has received an allocation of Housing Tax Credits (including ~~Tax-Exempt~~Tax-Exempt Bond Developments) for New Construction at any time during the three-year period preceding the date the application round begins (or for ~~Tax-Exempt~~Tax-Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(C) has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) 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. Section 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. Section 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 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. For purposes of this clause, evidence of the local government vote or evidence required by subparagraph (D) of this paragraph must be received by the Department no later than April 1, ~~2005-2006~~ (or for ~~Tax-Exempt~~Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed) and may not be more than one year old. (2306.6703)

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(E) In determining the age of an existing development 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 ~~§49-50.9(jh)~~.

(9) A submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review can not reasonably be performed by the Department, as determined by the Department.

(10) The proposed Development is located in a census tract that has in excess of 500 units supported by Housing Tax Credits unless the Applicant has submitted to the Department approval of the Development in the form of a resolution from the governing body of the appropriate municipality or county containing the Development. For purposes of this paragraph, evidence of the local government approval must be received by the Department no later than April 1, 2006 (or for Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed).

(11) The Applicant proposes to construct a Development that involves only New Construction in an Urban/Exurban Area in Regions 3, 6, 7 or 9 unless the Applicant has submitted to the Department approval of the New Construction Development in the form of a resolution from the governing body of the appropriate municipality or county containing the Development. For purposes of this paragraph, evidence of the local government approval must be received by the Department no later than April 1, 2006 (or for Tax-Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed).

(b) **Disqualification and Debarment.** The Department will disqualify an Application, and/or debar a Person (see §2306.6721, Texas Government Code), if it is determined by the Department that any issues identified in the paragraphs of this subsection exist. The Department ~~may~~ shall debar a Person for ~~no shorter period than the longer of one year from the date of debarment, or until the violation causing the debarment has been remedied, whichever term is longer.~~ If the Department determines the facts warrant it, ~~a Person may be debarred for up to fifteen years.~~ Causes for disqualification and debarment include: (2306.6721)

(1) The provision of fraudulent information, knowingly ~~falsified~~ false 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 ~~10% or more~~ ownership interest in the Development Owner, Developer or Guarantor 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~~ Non-Compliance with the LURA (or any other document containing an Extended Housing Commitment) or the program rules in effect for such property as further described in §60.1 of this title on May 1, 2006 or for Tax-Exempt Bond Developments or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than 30 days after Volume III of the application is submitted; (2306.6721(c)(3)) or

(3) The Applicant, Development Owner, Developer or Guarantor or anyone that has ~~10% or more~~ ownership interest in the Development Owner, Developer or Guarantor that is active in the ownership or Control of one or more other rent restricted rental housing properties outside of the state of Texas has an incidence of Material ~~Noncompliance~~ Non-Compliance with the LURA or the program rules in effect for such tax credit property as further described in §60.1 of this title on May 1, 2006 or for Tax-Exempt Bond Developments or other Applications not applying for Housing Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) no later than 30 days after Volume III of the application is submitted; or

(4) The Applicant, Development Owner, Developer, or any Guarantor, or any Affiliate of such entity 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.

(5) 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 pay in full any fees within 30 days of when they were billed by the Department, as further described in ~~§49-50.20~~ of this title; or

(6) the Applicant or a Related Party and any Person who is active in the construction, ~~R~~ 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 lobbyist by the Applicant or a Related Party, communicates with any Board member during the period of time beginning on the date an Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application. Communication with Department staff must be in accordance with ~~§49-50.9(b)~~ of this title;

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violation of the communication restrictions of ~~§49-50.9(b)~~ is also a basis for disqualification and/or debarment. (2306.1113)

(7) It is determined by the Department's General Counsel 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.

(8) Applicants may be ineligible as further described in ~~§49-50.17(de)(8)~~ of this title.

(9) The Applicant or a Related Party has failed to comply in the past with, or materially violates, any condition imposed by the Department in connection with the allocation of Housing Tax Credits, or has repeatedly violated a LURA. (2306.6721(b), (c)(1) and (c)(3)).

(c) **Certain Applicant and Development Standards.** Notwithstanding any other provision of this section, the Department may not allocate tax credits to a Development proposed by an Applicant if the Department determines that: (2306.223)

(1) the Development is not necessary to provide needed decent, safe, and sanitary housing at rental prices that individuals or families of low and very ~~low income~~ low-income or families of moderate income can afford;

(2) the Development Owner undertaking the proposed Development will not supply well-planned and well-designed housing for individuals or families of low and very ~~low income~~ low-income or families of moderate income;

(3) the Development Owner is not financially responsible;

(4) 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;

(5) the financing of the housing Development is not a public purpose and will not provide a public benefit; and

(6) the Development will be undertaken outside the authority granted by this chapter to the Department and the Development Owner. (~~See 2306.223, Texas Government Code~~).

(d) **Representation by Former Board Member or Other Person.** (2306.6733)

(1) A former Board member or a former executive director, deputy executive director, director of multifamily finance production, director of portfolio management and compliance, director of real estate analysis or manager over housing tax credits previously employed by the Department may not:

(A) for compensation, represent an Applicant or one of its Related Parties for an allocation of tax credits before the second anniversary of the date that the Board member's, director's, or manager's service in office or employment with the Department ceased;

(B) represent any Applicant or a Related Party of an Applicant or receive compensation for services rendered on behalf of any Applicant or Related Party regarding the consideration of an Application in which the former board member, director, or manager participated during the period of service in office or employment with the Department, either through personal involvement or because the matter was within the scope of the board member's, director's, or manager's official responsibility; or for compensation, communicate directly with a member of the legislative branch to influence legislation on behalf of an Applicant or Related Party before the second anniversary of the date that the board member's, director's, or manager's service in office or employment with the Department ceased.

(2) A Person commits an offense if the Person violates this section. An offense under this section is a Class A misdemeanor. (~~See §2306.6733, Texas Government Code~~).

(e) **Due Diligence, Sworn Affidavit.** 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 business days of the date of the request by the Department, the Department may terminate the Application.

(f) **Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.** An Applicant or Person found ineligible, disqualified, debarred or otherwise terminated under subsections (a) - (e) of this section will be notified in accordance with the Administrative Deficiency process described in ~~§49-50.9(d)(4)~~ of this title. They may also utilize the appeals process described in ~~§49-50.17(b)~~ of this title. (2306.6721(d))

§49-50.6. 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.

(a) **Floodplain.** 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. 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 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction.

(b) **Ineligible Building Types.** Applications involving Ineligible Building Types as defined in ~~§49-50.3(4947)~~ of this title will not be considered for allocation of tax credits.

(c) **Scattered Site Limitations.** Consistent with ~~§49-50.3(2830)~~ of this title, a Development must be financed under a common plan, be owned by the same Person for federal tax purposes, and the buildings may be either located on a single site or contiguous site, or be located on scattered sites and contain only rent-restricted units.

(d) **Credit Amount.** 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. The Department will limit the allocation of tax credits to no more than \$1.2 million per Development. The Department shall not allocate more than \$2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor; Housing Tax Credits approved by the Board during the ~~2005~~ 2006 calendar year, including commitments from the ~~2005-2006~~ Credit Ceiling and forward commitments from the ~~2007~~ 2006 Credit Ceiling, are applied to the credit cap limitation for the ~~2005-2006~~ Application Round. In order to encourage the capacity enhancement of developers in rural areas, the Department will prorate the credit amount allocated in situations where an Application is submitted in the Rural Regional Allocation and the Development has 76 Units or less. To be considered for this provision, a copy of a Joint Venture Agreement and narrative on how this builds the capacity of the inexperienced developers is required. ~~Tax-Exempt~~ Tax-Exempt Bond Development Applications are not subject to these Housing Tax Credit limitations, and ~~Tax-Exempt~~ Tax-Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply (2306.6711(b)):

(1) to an entity which raises or provides equity for one or more Developments, solely with respect to its actions in raising or providing equity for such Developments (including syndication related activities as agent on behalf of investors);

(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code (without regard to the 80% limitation thereof);

(3) to a Qualified Nonprofit Organization or other not-for-profit entity, to the extent that the participation in a Development by such organization consists only of the provision of loan funds, grants or social services; and

(4) to a Development Consultant with respect to the provision of consulting services, provided the Development Consultant fee received for such services does not exceed 10% of the fee to be paid to the Developer (or 20% for Qualified Nonprofit Developments), or \$150,000, whichever is greater.

(e) **Limitations on the Size of Developments.**

(1) The minimum Development size will be 16 Units if the Development involves Housing Tax Credits; ~~‡~~ The minimum Development size will be 4 Units if the funding source only involves the Housing Trust Fund or HOME Program.

(2) Rural Developments involving New Construction will be limited to 76 Units. Rural Developments involving only Rehabilitation do not have a size limitation.

(3) Developments involving New Construction, that are not ~~Tax-Exempt~~ Tax-Exempt Bond Developments, will be limited to 252 Total Units, wherein the maximum Department administered Units will be limited to 200 Units. ~~Tax-Exempt~~ Tax-Exempt Bond Developments will be limited to 252 Total Units. These maximum Unit limitations also apply to those Developments which involve a combination of Rehabilitation and New Construction. Developments that consist solely of acquisition/Rehabilitation or Rehabilitation only may exceed the maximum Unit restrictions. For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to provide replacement of previously existing affordable multifamily units on its site (in a number not to exceed the original units being replaced) or that were originally located within a one mile radius from the proposed Development, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and has attained Sustaining Occupancy (as defined in §1.31 of this title) for at least six months.

(f) **Limitations on the Location of Developments.** Staff will only recommend, and the Board may only allocate, housing tax credits from the Credit Ceiling to more than one Development in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. If the Board forward commits credits from the following year's allocation of credits, the Development is considered to be in the calendar year in which the Board votes, not in the year of the Credit Ceiling. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year ~~2005-2006~~ are Harris, Dallas, Tarrant and Bexar Counties). For purposes of this rule, any two sites not more than one linear mile apart are deemed to be "in a single community." (2306.6711) This restriction does not apply to the allocation of housing tax credits to Developments financed through the ~~Tax-Exempt~~ Tax-Exempt Bond program, including the ~~Tax-Exempt~~ Tax-Exempt Bond Developments under review and existing ~~Tax-Exempt~~ Tax-Exempt Bond Developments in the Department's portfolio. (2306.67021)

(g) **Rehabilitation Costs.** Rehabilitation Developments must establish that the Rehabilitation will substantially improve the condition of the housing and will involve at least ~~\$12,000~~ \$12,000 per Unit in direct hard costs unless financed with TX-USDA-RHS in which case the minimum is \$6,000.

(h) **Unacceptable Sites.** Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

(i) Appeals and Administrative Deficiencies for Site and Development Restrictions. An Application or Development found to be in violation under subsections (a) - (h) of this section will be notified in accordance with the Administrative Deficiency process described in §50.9(d)(4) of this title. They may also utilize the appeals process described in §50.17(b) of this title.

~~§49-50.7.~~ **Regional Allocation Formula; ~~7~~ Set-Asides; ~~7~~ Redistribution of Credits.**

(a) **Regional Allocation Formula.** ~~(2306.111)~~ As required by §2306.111(d), Texas Government Code, the Department uses a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling to all urban/exurban areas and rural areas. The formula is based on the need for housing assistance, and the availability of housing resources in those urban/exurban areas and rural areas, and the Department uses the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula establishes separate targeted tax credit amounts for rural areas and urban/exurban 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 web site. The regional allocation for rural areas is referred to as the Rural Regional Allocation and the regional allocation for urban/exurban areas is referred to as the Urban/Exurban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition, or be located in a Prison Community. At least ~~Approximately~~ 5% of each region's allocation for each calendar year shall be allocated to Developments which are financed through TX-USDA-RHS, and that meet the definition of a Rural Development, and do not exceed 76 Units if a ~~New~~ eConstruction, and have filed an "Intent to Request 2006 Housing Tax Credits" form by the Pre-Application submission deadline. These Developments will be attributed to the Rural Regional Allocation in each region where they are located. Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside. Commitments of ~~2005-2006~~ Housing Tax

Credits issued by the Board in ~~2005~~2004 will be applied to each Set-Aside, Rural Regional Allocation, Urban/Exurban Regional Allocation and TX-USDA-RHS Allocation for the ~~2005–2006~~ Application Round as appropriate.

(b) **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) 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 the Code, §42(h)(5). Qualified Nonprofit Organizations must have the Controlling interest in the Qualified Nonprofit Development applying for this Set-Aside. If the organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the controlling managing General Partner and must retain 80% of the developer fee. If the organization's 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 and retain 80% of the Developer fee. ~~or a co-Developer as evidenced in the development agreement.~~ (2306.6729 and 2306.6706(b))

(2) At least 15% of the allocation to each Uniform State Service Region will be set aside for allocation under the At-Risk Development Set-Aside. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of ~~d~~Developments designated as At-Risk Developments as defined in ~~§49-50.3(1312)~~ of this title. (2306.6714). To qualify as an At-Risk Development, the Applicant must provide evidence that it either is not eligible to renew, retain or preserve any portion of the financial benefit described in ~~§49-50.3(1312)(A)~~ of this title, or provide evidence that it will renew, retain or preserve the financial benefit described in ~~§49-50.3(1312)(A)~~ of this title; and must have filed an "Intent to Request 2006 Housing Tax Credits" form by the Pre-Application submission deadline.

(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 Rural Regional Allocation and Urban/Exurban Regional Allocation within each Uniform State Service Region and among the Set-Asides, the Department may redistribute the credits amongst the different regions and Set-Asides depending on the quality of Applications submitted as evaluated under the factors described in ~~§49-50.9(d)~~ of this title, the need to most closely achieve regional allocation goals and then the level of demand exhibited in the Uniform State Service Regions during the Allocation Round. However as described in subsection (b)(1) 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.

§49-50.8. Pre-Application: Submission; Communication with Departments Staff; Evaluation Process; Threshold Criteria and Review; Results. (2306.6704)

(a) **Pre-Application Submission.** Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in ~~§49-50.20~~ of this title. Only one Pre-Application may be submitted by an Applicant for each site under the State Housing Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, 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. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be Administrative Deficiencies. 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.

(b) **Communication with the Department.** Applicants that submit a Pre-Application are restricted from communication with Department staff as provided in ~~§49-50.9(b)~~ of this title. (2306.1113)

(c) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria. ~~Any Application from a~~ TX-USDA-RHS 515 Development (only for Rehabilitation) is ~~exempted from the Pre-Application Evaluation Process and will automatically~~ receive the Pre-Application points further outlined in ~~§49-50.9(ig)~~ of this title upon submission to the Department of an executed TX-USDA-RHS letter indication TX-USDA-RHS has received a Consent Request, also referred to as a preliminary Submittal, as described in 7 CFR 3560.406. Applications involving New Construction that are associated with a TX-USDA-RHS Development are not exempt from Pre-Application and are eligible to compete for the Pre-Application points

further outlined in ~~§49-50.9~~(g) of this title. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing. Pre-Applications that are found to have Administrative Deficiencies will be handled in accordance with ~~§49-50.9~~(d)(4) of this title. 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.

(d) **Pre-Application Threshold Criteria and Review.** Applicants submitting a Pre-Application will be required to submit information demonstrating their satisfaction of the Pre-Application Threshold Criteria. The Pre-Applications not meeting the Pre-Application Threshold Criteria will be terminated and the Applicant will receive a written notice to the effect that the Pre-Application Threshold Criteria have not been met. 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. The Pre-Application Threshold Criteria include:

(1) Submission of a "Pre-Application Submission Form" and "Certification of Pre-Application Itemized Total Self-Score" and

(2) Evidence of property site control through March 1, ~~2005~~-2006 as evidenced by the documentation required under ~~§49-50.9~~(h)(7)(A) of this title.

(3) Evidence that all of the notifications required under this paragraph have been made. Notifications under subparagraph (B)(i) of this paragraph must be made by the deadlines described in that clause; notifications under subparagraphs (B)(ii) - (ix) of this paragraph must be made prior to the close of the Pre-Application Acceptance Period. (2306.6704) Evidence of notification must meet the requirements identified in subparagraph (A) of this paragraph to all of the individuals and entities identified in subparagraph (B) of this paragraph. Evidence of such notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity, a sworn certified affidavit stating that they made the notifications prior to the deadlines and a copy of the entire mailing list (which includes the names and addresses) of all of the recipients. (~~2306.6705~~)-(2306.6704)

(A) 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) 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 (family, transitional, elderly);

(vi) The approximate total number of Units and approximate total number of ~~low income~~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~~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 are awarded.

(B) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Pre-Application is submitted.

(i) Notification to Local Elected Officials for Neighborhood Organization Input. Evidence in the form of a certification must be provided that a letter requesting information on 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 and other impacted homeowner's associations and meeting the requirements of "Local Elected Official Notification" as outlined in the Application was sent no later than December 20, ~~2005~~2004 to the local elected official for the city or if located outside of a city, then the county where the Development is proposed to be located. If the Development is located in a jurisdiction that has district based local elected officials, or both at-large and district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the Development is located in a jurisdiction that has only at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. ~~A copy of the reply letter or other official third party documentation from the local~~

~~elect~~ official must be provided. For urban/exurban areas, entities identified in the letter from the local elected official whose boundaries include the proposed Development whose listed address has the same zip code as the zip code for the Development and other impacted homeowner's associations must be provided with written notification, and evidence of that notification must be provided. If any other zip codes exist within a half mile of the Development site, then all entities identified in the letters with those adjacent zip codes must also be provided with written notification, and evidence of that notification must be provided. For rural areas, all entities identified in the letters whose listed address is within a half mile of the Development site and other impacted homeowner's associations must be provided with written notification, and evidence of that notification must be provided. If the Applicant can ~~provide evidence~~ certify that the proposed Development is not located within the boundaries of an entity on a list from the local elected officials and that there are no other impacted homeowner's associations, then such ~~evidence~~ certification in lieu of notification may be acceptable. If no reply letter is received from the local elected officials by January 1, ~~2005~~2006, (or For ~~Tax-Exempt~~ Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., by 7 days prior to the submission of the Application) then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any 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 or other impacted homeowner's associations, the Applicant must notify those organizations. The Applicant must also certify that any organizations in a response letter that are not notified do not contain the proposed Development site within their boundaries and are not impacted homeowner's associations. In the event that local elected officials refer the Applicant to another source, the Applicant must also notify that source and request the same information. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located or other impacted homeowner's associations, the Applicant must attest to that fact in the format provided by the Department as part of the Application.

- (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.

(e) **Pre-Application Results.** Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in subsection (d) of this section and ~~§49-50.9~~(~~ig~~)(1240) of this title, 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.

~~§49-50.9. Application: Submission;~~ Communication with Department Employees; Adherence to Obligations; ~~Evaluation Process~~ 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 2007 Credit Ceiling; ~~Required Experience Pre-Certification Procedures; and Acknowledgement;~~ Threshold Criteria; ~~Selection Criteria;~~ Tiebreaker ~~Evaluation Factors;~~ Staff Recommendations.

(a) **Application Submission.** Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in ~~§49-50.20~~ of this title, to the Department during the Application Acceptance Period. Only complete Applications will be accepted. All required volumes must be appropriately bound as required by the Application Submission Procedures Manual and fully complete for submission and received by the Department not later than 5:00 p.m. on the date the Application is due. Only one Application may be submitted for a site in an Application Round. While the Application Acceptance Period is open, Applicants may withdraw their 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. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for

items it considers to be an Administrative Deficiency, including ~~both ineligibility criteria, site and development restrictions, and threshold~~ and selection criteria documentation. (2306.6708) An Applicant may not change or supplement an Application in any manner after the filing deadline, and may not add any set-asides, increase their credit amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Department to remedy an Administrative Deficiency as further described in ~~§49-50.3(1)~~ of this title or by amendment of an Application after a commitment or allocation of tax credits as further described in ~~§49-50.17(d)~~ of this title.

(b) **Communication with Department Employees.** Communication with Department staff by Applicants that submit a Pre-Application or Application must follow the following requirements. During the period beginning on the date a Development Pre-Application or Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, the Applicant or a Related Party, and any Person that 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 individual employed as a lobbyist by the Applicant or a Related Party, may communicate with an employee of the Department about the Application orally or in written form, which includes electronic communications through the Internet, so long as that communication satisfies the conditions established under paragraphs (1) - (3) of this subsection. Section ~~49-50.5(b)(67)~~ of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(1) The communication must be restricted to technical or administrative matters directly affecting the Application;

(2) The communication must occur or be received on the premises of the Department during established business hours;

(3) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication. (2306.1113)

(c) **Adherence to Obligations.** (2306.6720, General Appropriation Act, Article VII, Rider 8(a)) All 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 Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, 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. ~~To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including terminating the Application, rejecting neighborhood organization letters for scoring, and possible referral to local district and county attorneys.~~

(d) **Evaluation Process for Competitive Applications Under the State Housing Credit Ceiling.** Applications submitted for competitive consideration under the State Housing Credit Ceiling will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as further described in ~~§49-50.5(b)(2)~~; Applicants will be promptly notified in these instances.

(1) **Eligibility and Selection Criteria Review.** All Applications will first be reviewed as described in this paragraph. Applications will be confirmed for eligibility under ~~§49-50.5 and §49.6~~ of this chapter and Set-Aside eligibility will be confirmed. Then, each Application will be preliminarily scored according to the Selection Criteria listed in subsection (ig) of this section. When a particular scoring criterion involves multiple points, the Department will award points to the proportionate degree, in its determination, to which a proposed Development complied with that criterion. As necessary to complete this process only, Administrative Deficiencies may be issued to the Applicant. This process will generate a preliminary Department score for every application.

(2) **Priority Review Assessment.** Each Application will be assessed based on either the Applicant's self-score or the Department's preliminary score, region, and any Set-Asides that the Application indicates it is eligible for, consistent with paragraph (5) of this subsection. Those Applications that appear to be most

competitive will be designated as "priority" Applications. Applications that do not appear to be competitive may not be reviewed in detail for Threshold Criteria during the Application Round.

(3) Threshold Criteria Review. Applications that are designated as "priority" from the Priority Review Assessment will be evaluated in detail for eligibility under §50.6 of this chapter and against the Threshold Criteria. Applications not meeting Threshold Criteria ~~will be terminated, unless the Department determines that the failure to meet the Threshold Criteria is the result of~~ will be notified of any Administrative Deficiencies, in which event the Applicant is may be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria. To the extent that the review of Threshold Criteria documentation, or submission of Administrative Deficiency documentation, alters the score assigned to the Application, Applicants will be notified of their final score. As Applications are evaluated under this Review process, a final score by the Department may remove the Application from "priority" status at which point other Applications may be designated as "priority" and reviewed under this paragraph.

(4) 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. Because the review for Eligibility and Selection, and Threshold Criteria may occur separately, Administrative Deficiency requests may be made several times. The Department staff ~~will may~~ request clarification or correction in a deficiency notice in the form of a facsimile, email (if an email address is provided by the Applicant) and a telephone call 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 within ~~eight~~five business days of the deficiency notice date, 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 deficiencies are not clarified or corrected within ~~ten~~seven business days from the deficiency notice date, 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.

(5) Subsequent Evaluation of Prioritized Applications 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 "priority". This prioritization order will also be used in making recommendations to the Board. Assignments will be determined by first selecting the Applications with the highest scores in the At-Risk Set-Aside and TX-USDA-RHS Allocation within each Uniform State Service Region until the minimum requirements stated in §50.7(b) are attained. Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments, regardless of Set-Aside, in accordance with the requirements under ~~§49-50.7(a)~~ of this title for a Rural Regional Allocation and Urban/Exurban Regional Allocation. After this priority review has occurred, staff will review priority applications to ensure that at least 10% of the priority applications are qualified Nonprofits to satisfy the Nonprofit Set-Aside. If 10% is not met, then the Department will add the highest Qualified Nonprofits statewide until the 10% Nonprofit Set-Aside is met. Selection for each of the Set-Asides will take precedence over selection for the Rural Regional Allocation and Urban/Exurban Regional Allocation. Funds for the Rural Regional Allocation or Urban/Exurban Regional Allocation within a region, for which there are no eligible feasible applications, will be redistributed as provided in ~~§49-50.7(c)~~ Redistribution of Credits. If the Department determines that an allocation recommendation would cause a violation of the \$2 million limit described in ~~§49-50.6(d)~~ of this title, the Department will make its recommendation by selecting the Development(s) that most effectively satisfies(y) 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 housing tax credits are allocated within the period required by law. (2306.6710(a), (b) and (d); 2306.111)

(6) Underwriting Evaluation and Criteria. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of housing tax credits. In determining an appropriate level of housing tax credits, the Department shall, at a minimum, evaluate the 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 the county in which the Development is to be located; if certifications are unavailable for the county, then the metropolitan statistical area in which the Development is to be located; or if certifications are unavailable under the county or the metropolitan statistical area, then the Uniform State Service Region in which the Development is to be located. Underwriting of a Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for commitment to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified rent restricted housing property. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title. Receipt of feasibility points under §49-50.9(ig)(1) of this title 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 points under §49-50.9(ig)(1) of this title. (2306.6711(b); 2306.6710(d))

(A) 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.

(B) The Department will reduce the Applicant's estimate of Developer's and/or Contractor fees in instances where these exceed the fee limits determined by the Department. In the instance where the Contractor is an Affiliate of the Development Owner and both parties are claiming fees, Contractor's overhead, profit, and general requirements, the Department shall be authorized to reduce the total fees estimated to a level that it determines to be reasonable under the circumstances. Further, the Department shall deny or reduce the amount of Housing Tax Credits allocated with respect to any portion of costs which it deems excessive or unreasonable. Excessive or unreasonable costs may include developer fee attributable to Related Party acquisition costs. The Department also may require bids or Third Party estimates in support of the costs proposed by any Applicant.

(7) 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 by the Department's Portfolio Management and Compliance Division, in accordance with Chapter 60 of this title.

(8) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns. Such inspection will evaluate the site based upon the criteria set forth in the Site Evaluation form provided in the Application and the inspector shall provide a written report of such site evaluation. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, and 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 TX-USDA-RHS Set-Aside, the Department may rely on the physical site inspection performed by TX-USDA-RHS.

(e) Evaluation Process for Tax-Exempt Bond Development Applications. Applications submitted for consideration as Tax-Exempt Bond Developments will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as further described in §50.5; Applicants will be promptly notified in these instances.

(1) Eligibility and Threshold Criteria Review. All Tax-Exempt Bond Development Applications will first be reviewed as described in this paragraph. Tax-Exempt Bond Development Applications will be confirmed for eligibility under §50.5 and §50.6 of this chapter and Applications will be evaluated in detail against the Threshold Criteria. Tax-Exempt Bond Development Applications found to be ineligible and/or not meeting Threshold Criteria will be notified of any Administrative Deficiencies, in which event the Applicant is given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria.

(2) 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 further described in subsection (d)(4) of this section.

(3) Underwriting and Compliance Evaluation and Criteria. The Department will assign all eligible Tax-Exempt Bond Development Applications meeting the eligibility and threshold requirements for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an

Application to determine the financial feasibility of the Development and an appropriate level of housing tax credits as further described in subsection (d)(6) of this section. Tax-Exempt Bond Development Applications will also be reviewed for evaluation of the compliance status by the Department's Portfolio Management and Compliance Division in accordance with Chapter 60 of this title.

(4) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns as further described in subsection (d)(8) of this section.

(f) Evaluation Process for Rural Rescue Applications Under the 2007 Credit Ceiling. Applications submitted for consideration as Rural Rescue Applications pursuant to §50.10(c) of this title under the 2007 Credit Ceiling will be reviewed according to the process outlined in this subsection. A Rural Rescue Application, during any of these stages of review, may be determined to be ineligible as further described in §50.5; Applicants will be promptly notified in these instances.

(1) Eligibility and Threshold Criteria Review. All Rural Rescue Applications will first be reviewed as described in this paragraph. Rural Rescue Applications will be confirmed for eligibility under §50.5 and §50.6 of this chapter, Set-Aside and Rural Rescue eligibility will be confirmed, and Applications will be evaluated in detail against the Threshold Criteria. Applications found to be ineligible and/or not meeting Threshold Criteria will be notified of any Administrative Deficiencies, in which event the Applicant is given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria after receipt and review of the Administrative Deficiency response will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria.

(2) Selection Criteria Review. All Rural Rescue Applications will be evaluated against the Selection Criteria and a score will be assigned to the Application. The minimum score for Selection Criteria is not required to be achieved to be eligible.

(3) 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 further described in subsection (d)(4) of this section.

(4) Underwriting and Compliance Evaluation and Criteria. The Department will assign all eligible Tax-Exempt Bond Development Applications meeting the eligibility and threshold requirements for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of housing tax credits as further described in subsection (d)(6) of this section. Tax-Exempt Bond Development Applications will also be reviewed for evaluation of the previous participation by the Department's Portfolio Management and Compliance Division in accordance with Chapter 60 of this title.

(5) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns as further described in subsection (d)(8) of this section.

(g) Experience Pre-Certification and Acknowledgment Procedures. No later than 14 days prior to the close of the Application Acceptance Period, an Applicant must submit the documents required in this subsection to obtain the required pre-certification, and acknowledgment. For Applications submitted for Tax-Exempt Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) all of the documents in this section must be submitted with the Application.

(1) Experience Certificate. Upon receipt of the evidence required under this section paragraph, a certification from the Department will be provided to the Applicant for inclusion in their Application(s). Evidence must show that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units (single family or multifamily) in the capacity of owner, General Partner or Developer. If a Public Housing Authority organized an entity for the purpose of developing residential units the Public Housing Authority shall be considered a principal for the purpose of this requirement. If the individual requesting the certification was not the Development Owner, General Partner or Developer, but was the individual within one of those entities doing the work associated with the development of the units, the individual must show that the units were successfully developed as required below, and also provide written confirmation from the entity involved stating that the individual was the person responsible for the development. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least \$6,000 of direct hard cost per unit.

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~~(1)(A)~~ The term "successfully" is defined as acting in a capacity as the owner, General Partner, or Developer of:

~~(A)(i)~~ at least 100 residential units; or 80 percent of the total number of Units the applicant is applying to build (e.g. you must have 40 units successfully built to apply for 50 Units); or

~~(B)(ii)~~ at least 36 residential units if the Development applying for credits is a Rural Development; or

~~(C)(iii)~~ at least 25 residential units if the Development applying for credits has 36 or fewer total Units.

~~(2)(B)~~ One of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or 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. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

~~(A)(i)~~ that the Development has been completed (i.e. Development Agreements, Partnership Agreements, etc. must be accompanied by certificates of completion-);

~~(B)(ii)~~ that 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

~~(C)(iii)~~ the number of units completed or substantially completed.

~~(2) Financial Statement and Authorization to Release Credit Information. At the option of the Applicant, financial statements may be pre-submitted and a Department acknowledgement of receipt substituted for the financials in the subsequent Application. The acknowledgement will not constitute acceptance by the Department that financial statements provided are acceptable in any manner but only acknowledge their receipt. Applicants that do not opt to pre-submit financial statements and authorization to release credit information must provide a full submission in accordance with this paragraph at the time of application. The financial statements and authorization to release credit information must be unbound and clearly labeled. A "Financial Statement and Authorization to Release Credit Information" must be completed and signed for any General Partner, Developer or Guarantor and any Person that has 10% or more ownership interest 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.~~

~~(A) Financial statements for an individual must not be older than 90 days from the date of Application submission.~~

~~(B) Financial statements for partnerships or corporations should be for the most recent fiscal year ended 90 days prior to the date of Application submission. An audited financial statement should be provided, if available, and all partnership or corporate financials must be certified. Financial statements are required for an entity even if the entity is wholly owned by a Person who has submitted this document as an individual.~~

~~(C) Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case.~~

~~(3) Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). A completed and executed "Previous Participation and Background Certification Form" as provided in the Application must be provided for the Applicant, Development Owner, Developer and Guarantor and each entity shown on an organizational chart as described in subsection (f)(9)(A) of this section that has 10% or more ownership interest in the Development Owner, 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. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. The 2005 versions of these forms, as required in the Uniform Application, must be submitted. Units of 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.~~

~~(4) National Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). If the Applicant, Development Owner or any of its Affiliates, Developer and Guarantor or any entity shown on the organizational chart described in subsection (f)(9)(A) of this section that~~

~~have 10% or more ownership interest in the Development. Owner have, or have had, ownership or Control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, then evidence must be submitted that such Persons have sent the "National Previous Participation and Background Certification Form" to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. Nonprofit entities and public housing authorities are only required to submit documentation for the entity itself; documentation for board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. This form is only necessary when the Developments involved are outside the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from the agency.~~

(hf) **Threshold Criteria.** The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise:

(1) Completion and submission of the Application, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department. (2306.1111)

(2) Completion and submission of the Site Packet as provided in the Application.

(3) Set-Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funding as required in the Application.

(4) Certifications. The "Certification Form" provided in the Application confirming the following items:

(A) A certification of the basic amenities selected for the Development. All Developments, must meet at least the minimum threshold of points. These points are not associated with the selection criteria points ~~in subsection (i) of this section in this title.~~ 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 complete this requirement exhibit.~~ Developments must provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (ii) of this subparagraph and made available for the benefit of all tenants. Developments proposing ~~R~~ rehabilitation or proposing Single Room Occupancy will receive double points for each item. Applications for scattered site housing, including ~~N~~ new ~~C~~ construction, ~~R~~ rehabilitation, and single-family design, will have the threshold test applied based on the number of Units per individual site. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with ~~§49-50.17(de)~~ of this title 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 Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

(i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) as follows:

(I) Total Units are less than 13, 0 points are required to meet Threshold for ~~R~~ rehabilitation and 1 point is required for ~~N~~ new ~~C~~ construction;

(II) Total Units are between 13 and 24, 1 point is required to meet Threshold;

(III) Total Units are between 25 and 40, 3 points are required to meet Threshold;

(IV) Total Units are between ~~41~~40 and 76, 6 points are required to meet Threshold;

(V) Total Units are between 77 and 99, 9 points are required to meet Threshold;

(VI) Total Units are between 100 and 149, 12 points are required to meet Threshold;

(VII) Total Units are between 150 and 199, 15 points are required to meet Threshold;

(VIII) Total Units are 200 or more, 18 points are required to meet Threshold.

(ii) Amenities for selection include those items listed in subclauses (I) - (XXIV) of this clause.

Both Developments designed for families 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 ~~§49-50.9(hf)(4)(D)~~ and (F) of this title. 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.

(I) Full perimeter fencing with controlled gate access (~~23~~ 2 points);

(II) Full perimeter fencing without controlled gate access (~~12~~ 1 points);

(III) Gazebo w/sitting area (1 point);

(IV) Accessible walking path (1 point);

(V) Community gardens (1 point);

(VI) Community laundry room (1 point);

(VII) Public telephone(s) available to tenants 24 hours a day (2 points);

(VIII) Barbecue grills and picnic tables--at least one for every 50 Units (1 point);

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- (IX) Covered pavilion that includes barbecue grills and tables (2 points);
- (X) Swimming pool (3 points);
- (XI) Furnished fitness center (2 points);
- (XII) Equipped Business Center (computer and fax machine) or Equipped Computer Learning Center (2 points);
- (XIII) Furnished Community room (1 point);
- (XIV) Library (separate from the community room) (1 point);
- (XV) Enclosed sun porch or covered community porch/patio (2 points);
- (XVI) Service coordinator office in addition to leasing offices (1 point);
- (XVII) Senior Activity Room (Arts and Crafts, etc.)--Only Qualified Elderly Developments Eligible (2 points);
- (XVIII) Health Screening Room (1 point);
- (XIX) Secured Entry (elevator buildings only)--(1 point);
- (XX) Horseshoe, Putting Green or Shuffleboard Court--Only Qualified Elderly Developments Eligible (1 point);
- (XXI) Community Dining Room w/full or warming kitchen--Only Qualified Elderly Developments Eligible (3 points);
- (XXII) Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each--Only Family Developments Eligible (2 points) or one point for one playground or one tot lot;
- (XXIII) Sport Court (Tennis, Basketball or Volleyball)--Only Family Developments Eligible (2 points); or
- (XXIV) Furnished and staffed Children's Activity Center--Only Family Developments Eligible (3 points).

(B) A certification that the Development will have all of the following Unit Amenities (not required for Single Room Occupancy Developments). If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to ~~satisfy~~complete this requirement~~exhibit~~. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) All New Construction Units must be built with three networks: One network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring; and a third network for TV services using COAX cable;

- (ii) Mini blinds or window coverings for all windows;
- (iii) Dishwasher and Disposal (not required for TX-USDA-RHS Developments);
- (iv) Refrigerator;
- (v) Oven/Range;
- (vi) Exhaust/vent fans in bathrooms; and
- (vii) Ceiling fans in living areas and bedrooms.

(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. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); the Rehabilitation Act of 1973 (29 U.S.C. Section 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(a)(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 Notice until the Cost Certification is submitted, in a format prescribed by the Department and provided at the time a Commitment Notice 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, any Development supported with a housing tax credit allocation shall comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. The Applicant must provide a certification

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from an accredited architect or Department-approved third party accessibility specialist, that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C and this subparagraph. This includes that for all New Construction Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3-8 of the Uniform Federal Accessibility Standards (UFAS), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments. Additionally, in Developments involving New Construction 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 similar certification will also be required after the Development is completed. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code. (2306.6722 and 2306.6730)

(G) A certification that the Development will be equipped with energy saving devices that meet the ~~2000 International Energy Conservation Code (IECC), which is the standard statewide energy code adopted by the state energy conservation office, unless historic preservation codes permit otherwise for a Development involving historic preservation. All Units must be air-conditioned, or utilize evaporative coolers.~~ 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))

(H) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider ~~78~~(c) applicable to the Department which requires that the 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.

(I) A certification that the Development Owner agrees to establish a reserve account consistent with 2306.186 Texas Government Code and as further described in §1.37 of this title. (~~Section 2306.186~~)

(J) A certification that the Applicant, Developer, or any employee or agent of the Applicant has not formed a neighborhood organization for purposes of subsection 50.9(i)(2), 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 to meet the requirements of subsection 50.9(i)(2), as it relates to the Applicant's Application or any other Application under consideration in 2006.

(K) A certification that the Development Owner will cooperate with the local public housing authority, to the extent there are any, in accepting tenants from their waiting lists (42(m)(1)(C)(vi).

(5) Design Items. This exhibit will provide:

(A) All of the architectural drawings identified in clauses (i) - (iii) of this subparagraph. 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 clauses (i) - (iii) of this subparagraph. For Developments involving Rehabilitation for which the Unit configurations are not being altered, only the items identified in clauses (i) and (ii) of this subparagraph are required:

(i) 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) identifies all residential and common buildings and amenities; and

(III) clearly delineates the flood plain boundary lines and all easements shown in the site survey;

(ii) 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; and

(iii) Unit floor plans for each type of Unit showing special accessibility and energy features. The net rentable areas these Unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application; ~~For purposes of completing the Rent Schedule for loft or studio type Units (which still must meet the definition of Bedroom), a Unit with 650 square feet or less is considered not more than a one bedroom Unit, a Unit with 651 to 900 square feet is considered not more than a two bedroom Unit and a Unit with greater than 900 square feet is considered not more than a three bedroom Unit; and~~

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(B) A boundary survey of the proposed Development site and of the property to be purchased. In cases where more property is purchased than the proposed site of the Development, the survey or plat must show the survey calls for both the larger site and the subject site. The survey does not have to be recent; but it must show the property purchased and the property proposed for development. In cases where the site of the Development is only a part of the site being purchased, the depiction or drawing of the Development portion may be professionally compiled and drawn by an architect, engineer or surveyor.

(6) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) - (G) of this paragraph.

(A) 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. (2306.6705(a)(1))

(B) All Developments must submit the "Development Cost Schedule" provided in the Application. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(C) Provide a 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, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis. (2306.6705(a)(2) and (3))

(D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.

(E) Rehabilitation Developments must submit a Property Condition Assessment meeting the requirements of paragraph (14)(C) performed in accordance with §1.36 of this title, Property Condition Assessment Guidelines. For Developments receiving financing from TX-USDA RHS, a copy of the checklist prepared by TX-USDA RHS may be submitted in lieu of the Property Condition Assessment. The Property Condition Assessment may be submitted as a Supplemental Threshold Report consistent with the timelines and submission documentation requirements identified in paragraph (14)(D) of this subsection.

(F) 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.

(G) If projected site work costs include unusual or extraordinary items or exceed \$7,500 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.

(7) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) - (D) of this paragraph:

(A) Evidence of ~~Property 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 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). ~~All individual Persons who are members of the ownership entity of the seller of the proposed site 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; or

(ii) a contract for ~~sale or~~ lease (the minimum term of the lease must be at least 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 earnest money contract (which must show that the earnest money has been deposited) which is valid for the entire period the Development is under consideration for tax credits. If the acquisition can be characterized as an identity of interest transaction as described in §1.32(e)(1)(B), the following must be provided:

(l) 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 indicating the asset value for the proposed Property, and

(II) if the original acquisition cost evidenced by (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 subsection, 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, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the Property, the cost of rezoning, replatting or developing the Property, or any costs to provide or improve access to the Property.

(-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, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow 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.

~~(iv) As described in clauses (ii) and (iii), site control must be continuous.~~ As described in clauses (ii) and (iii), Property control must be continuous. Closing on the Property is acceptable, as long as evidence is provided that there was no period in which control was not retained.

(B) 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 6 months prior to the close of the Application Acceptance Period. (2306.6705(a)(5))

(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance; the letter must also state that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or if no such planning document exists, then the letter from the local municipal authority must state that there is a need for affordable housing.

(ii) a letter from the chief executive officer of the political subdivision 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 that there is not a zoning requirement; or

(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. The Applicant must also provide at the time of Application a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.

(iii) In the case of a Rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discusses 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) 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. 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 clauses (i) - (iv) of this subparagraph:

(i) bona fide financing in place as evidenced by:

(I) a valid and binding loan agreement;

(II) ~~and a deed(s)~~ of trust in the name of the Development Owner ~~and/or~~ expressly ~~allows~~ allowing the transfer to the Development Owner; and

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(III) for TX-USDA-RHS 515 Developments involving Rehabilitation, an executed TX-USDA-RHS letter indicating TX-USDA-RHS has received a Consent Request, also referred to as a Preliminary Submittal, as described in 7 CFR 3560.406; or,

(ii) bona fide 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 which has been executed by the lender (the term of the loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate and any required Guarantors. 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. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted. 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 Submission Procedures Manual. If the commitment from the other funding source has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the other funding source, the Commitment Notice will be rescinded; or

(iv) if the Development will be financed through 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 6 months prior to the close of the Application Acceptance Period.

~~(D) Provide the documents in clause (i) - (iii) of this subparagraph and either of the documents described in clauses (ii) and (iii) of this subparagraph, and satisfying the requirements of clause (iv) of this subparagraph, if applicable:~~

~~(i) a copy of the full legal description~~

~~(ii) a current valuation report from the county tax appraisal district and documentation of the current total property tax rate for the proposed Property, and~~

~~(iii) a copy of:~~

~~(I) the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Development Owner; or~~

~~(II) (iii) a copy of a current title commitment with the proposed insured matching exactly the name of the Development Owner and the title of the Property/land/Development vested in the exact name of the seller or lessor as indicated on the sales contract or lease.~~

~~(III) (iv) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, then a letter from the title company indicating that nothing further has transpired on the policy or commitment.~~

(8) Evidence of all of the notifications described in the subparagraphs of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" statement provided in the Application.

(A) Evidence of notification meeting the requirements identified in clause (i) of this subparagraph to all of the individuals and entities identified in clause (ii) of this subparagraph. Evidence of such notifications ~~shall include a copy of the exact letter and other materials that were sent to the individual or entity must be in the form of a certification provided in the Application, a sworn affidavit stating that they made all required notifications prior to the deadlines and a completed "Notification Information Form" as provided in the Application. copy of the entire mailing list (which includes the names and addresses) of all of the recipients. Proof of n~~Notification must not be older than three months from the first day of the Application Acceptance Period. ~~(2306.6705(a)(9))(2306.6704)~~ If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfied the Department's review of Pre-Application Threshold, then no additional notification is required at Application, except that 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 a deficiency that reflects a total Unit increase of greater than 10%, an increase of greater than 10% for any given level of AMGI, or a change to the population being served (elderly, family or transitional). For Applications submitted for ~~Tax-Exempt~~Tax-Exempt Bond Developments or Applications not applying for Tax Credits, but

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applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.), notification and proof thereof must not be older than ~~three months~~^{30 days} prior to the date the Volume III of the Application is submitted.

(i) 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) 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 (family, transitional, elderly);

(VI) The approximate total number of Units and approximate total number of ~~low income~~^{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~~^{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 are awarded.

(ii) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted.

(I) Notification to Local Elected Officials for Neighborhood Organization Input. Evidence in the form of a certification must be provided that a letter requesting information on 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 and other impacted homeowner's associations and meeting the requirements of "Local Elected Official Notification" as outlined in the Application was sent no later than January 15, ~~2005-2006~~ (or for Tax-Exempt Bond Applications or Rural Rescue Applications not later than 21 days prior to submission of the Threshold documentation) to the local elected official for the city or if located outside of a city, then the county where the Development is proposed to be located. If the Development is located in a jurisdiction that has district based local elected officials, or both at-large and district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the Development is located in a jurisdiction that has only at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. ~~A copy of the reply letter or other official third party documentation from the local elected official must be provided.~~ For urban/exurban areas, entities identified in the letters from the local elected official whose boundaries include the proposed Development whose listed address has the same zip code as the zip code for the Development and other impacted homeowner's associations must be provided with written notification, and evidence of that notification must be provided. If any other zip codes exist within a half mile of the Development site, then all entities identified in the letters with those adjacent zip codes must also be provided with written notification, and evidence of that notification must be provided. For rural areas, all entities identified in the letters whose listed address is within a half mile of the Development site and other impacted homeowner's associations must be provided with written notification, and evidence of that notification must be provided. If the Applicant can ~~provide evidence~~^{certify} that the proposed Development is not located within the boundaries of an entity on a list from the local elected officials and that there are no other impacted homeowner's associations, then such ~~evidence~~^{certification} in lieu of notification may be acceptable. If no reply letter is received from the local elected officials by February 25, ~~2005~~²⁰⁰⁶, (or For ~~Tax-Exempt~~^{Tax-Exempt} Bond Developments or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., by 7 days prior to the submission of the Application) then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any 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 and other impacted homeowner's associations, the Applicant must notify those organizations. The Applicant must also certify that any organizations in a response letter that are not notified do not contain the proposed Development site within their boundaries and are not impacted homeowner's associations. In the event that local elected officials refer the Applicant to another source, the Applicant must also notify that source and request the same information. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located or other impacted homeowner's associations, the Applicant must attest to that fact in the format provided by the Department as part of the Application.

(II) Superintendent of the school district containing the Development;

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- 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;
- 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.

(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. For ~~Tax-Exempt~~ Tax-Exempt Bond Developments the sign must be installed no later than 30 days after the Department's receipt of Volumes I and II. Evidence submitted with the Application must include photographs of the site with the installed sign and invoice receipt confirming installation from the entity that installed the sign. The sign must be at least 4 feet by 8 feet in size and located within twenty feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day that the Board takes final action on the Application for the Development. The information and lettering on the sign must meet the requirements identified in the Application. For ~~Tax-Exempt~~ Tax-Exempt Bond Developments for which the Department is not the issuer of the bonds, the Applicant must certify to the fact that ensure that the date, time and location of the TEFRA hearing are indicated on the sign as soon as the hearing has been scheduled. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant's option, 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. If the Applicant chooses to provide this mailed notice in lieu of signage, 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 the option in clause (i) of this subparagraph is used, then evidence must be provided affirming the local zoning notification requirements.

(i) ~~a~~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) ~~f~~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 they have notified each tenant at the Development and let the tenants know of the Department's public hearing schedule for comment on submitted Applications.

(9) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) - (E) of this paragraph.

(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.

(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 ~~10% or more~~ ownership interest in the Development Owner, Developer or Guarantor, shall provide the following documentation, as applicable:

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas, a certificate of reservation of the entity name from the Texas Secretary of State; or

(ii) For existing entities whether formed in or outside of the state of Texas, evidence that the entity has the authority to do business in Texas or has applied for such authority.

(C) Evidence that each entity shown on ~~a~~ the organizational chart described in subparagraph (A) of this paragraph that has ~~10% or more~~ 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 2006 versions of these forms, as required in the Uniform Application, must be submitted. Units of 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.

~~Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §49.9(e)(3) of this title. Applicants must request this certification at least fourteen days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph.~~

~~(D) Evidence in the form of a certification from the Applicant, that, each entity shown if the Development Owner or any of its Affiliates shown on the organizational chart described in subparagraph (A) of this paragraph that hasve 10% or more ownership interest in the Development Owner, Developer or Guarantor, and hasve, or hasve had, ownership or Control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, that such Persons have submitted the appropriate "National Previous Participation and Background Certification Form" to the Department, to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. Nonprofit entities and public housing authorities are only required to submit documentation for the entity itself; documentation for board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. This form is only necessary when the Developments involved are outside the state of Texas. An original form is not required.~~

~~Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §49.50.9(e)(4) of this title. Applicants must request this certification at least fourteen days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph.~~

(E) Evidence, in the form of a certification, that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units in the capacity of owner, General Partner or Developer. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under subsection (g)(1) of this section. Applicants must request this certification at least fourteen days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification appears in the organizational chart provided in subparagraph (A) of this paragraph.

(10) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) - (D) of this paragraph:

(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 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(a)(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. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.

(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 its 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 12 consecutive months ending not more than 3 months from the first day of the Application Acceptance Period;

(-b-) The two most recent consecutive annual operating statement summaries;

(-c-) the most recent consecutive six months of operating statements and the most recent available annual operating summary;

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(-d-) all monthly or annual operating summaries available and a written statement from the seller refusing to supply any other summaries or expressing the inability to supply any other summaries, and any other supporting documentation used to generate projections may be provided; and

(II) a rent roll not more than 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, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) a written explanation of the process used to notify and consult with the tenants in preparing the Application; (2306.6705(a)(6))

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and (2306.6705(a)(6))

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency. (2306.6705(a)(6))

(11) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applications involving a nonprofit General Partner, regardless of the Set-Aside applied under, must submit all of the documents described in clauses (i) and (ii) of this subparagraph: (2306.6706)

(i) an IRS determination letter which states that the nonprofit organization is a 501(c)(3) or (4) entity; and

(ii) the "Nonprofit Participation Exhibit."

(B) Additionally, all Applications applying under the Nonprofit Set-Aside, established under §49.50.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in clauses (i) - (vi) of this subparagraph.

(i) copy of the page from the articles of incorporation or bylaws indicating that one of the exempt purposes of the nonprofit organization is to provide ~~low income~~ low-income housing;

(ii) copy of the page from the articles of incorporation or bylaws indicating 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;

(iii) 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 nonprofit 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 the Code, §42(h)(5);

(iv) a copy of the nonprofit organization's most recent audited financial statement; and

(v) a certification 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.

(vi) 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 90 miles from the Development, if the Development is not located in a rural area.

~~(12) Applicants applying for acquisition credits must provide, or Applicants and Development Team members affiliated with the seller that are asking for the land value to be an amount greater than the acquisition cost indicated in the original purchase contract, will be evaluated in accordance with §1.32 of this title and must provide all of the documentation described in subparagraphs (A) - (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application.~~

~~(A) an appraisal meeting the requirements of subparagraph (14)(D) of this subsection, and, not more than 6 months old as of the first day of the Application Acceptance Period, which complies with the Uniform Standards of Professional Appraisal Practice and §1.34 of this title. For Developments which require an appraisal from TX-USDA-RHS, the appraisal may be more than 6 months old, as long as TX-USDA-RHS has confirmed in writing that the existing appraisal is still acceptable. The appraisal may be submitted as a Supplemental Threshold Report consistent with the timelines and submission documentation requirements identified in paragraph (14)(D) of this subsection.~~

~~(B) a current valuation report from the county tax appraisal district;~~

~~(C) clear identification of the selling Persons, and any owner of the property within the last 36 months prior to the first day of the Application Acceptance Period, and details of any relationship between said selling Persons and owners and the Applicant, Developer, Property Manager, General Contractor, Qualified~~

~~Market Analyst, or any other professional or other consultant performing services with respect to the Development. Only in the event that such relationship exists, the following documents must be provided:~~

~~(i) documentation of the original acquisition cost, such as a settlement statement;~~
~~(ii) any other verifiable costs of owning, holding, or improving the property that when added to the value from clause (i) of this subparagraph justifies the Applicant's proposed acquisition amount:~~

~~(I) for land only transactions, documentation of owning, holding or improving costs since the original acquisition date may include property taxes, interest expense, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the property, the cost of rezoning, replatting or developing the property, or any costs to provide or improve access to the property;~~

~~(II) 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, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow 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; and~~

~~(B) an (D) "Acquisition of Existing Buildings Form."~~

(13) Evidence of Financial Statement and Authorization to Release Credit Information. The financial statements and authorization to release credit information must be unbound and clearly labeled. A "Financial Statement and Authorization to Release Credit Information" must be completed and signed for any General Partner, Developer or Guarantor and any Person that has ownership interest 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.

(A) Financial statements for an individual must not be older than 90 days from the date of Application submission.

(B) Financial statements for partnerships or corporations should be for the most recent fiscal year ended 90 days prior to the date of Application submission. An audited financial statement should be provided, if available, and all partnership or corporate financials must be certified. Financial statements are required for an entity even if the entity is wholly-owned by a Person who has submitted this document as an individual.

(C) Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case.

~~of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any Person that has 10% or more ownership interest in the Development Owner or General Partner, the Developer, or Guarantor, as required under §49.50.9(e)(2) of this title. Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case in lieu of submitting the Acknowledgement.~~

(14) Supplemental Threshold Reports. All Applications must include documents under subparagraph (A) and (B) of this paragraph, must be submitted as further stated in subparagraph (C) and (D) of this paragraph and in accordance with the Market Analysis Rules and Guidelines and Environmental Site Assessment Rules and Guidelines, §1.33 and §1.35 of this title. If required under paragraph (6) of this subsection, a Property Condition Assessment as described in subparagraph (C) of this paragraph must be submitted. If required under paragraph (7) or (12) of this subsection, an appraisal as described in subparagraph (D) of this paragraph must be submitted. All submissions must meet the requirements stated in subparagraphs (E) - (G) of this paragraph.

(A) A Phase I Environmental Site Assessment (ESA) report: on the subject Property,

(i) prepared by a qualified Third Party;

(ii) dated not more than 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 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 no older than three 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; and;

(iii) The ESA must be prepared in accordance with the Department's Environmental Site Assessment Rules and Guidelines, §1.35 of this title.

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(iv) Developments whose funds have been obligated by TX-USDA-RHS 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.

(B) A comprehensive Market Analysis report:

(i) prepared at the Applicant's expense by a Third Party disinterested Qualified Market Analyst approved by the Department in accordance with the approval process outlined in the Market Analysis Rules and Guidelines, §1.33 of this title; ~~In addition to the document submitted in paper form, an electronic version must also be submitted.~~

(ii) dated not more than 6 months prior to the first day of the Application Acceptance Period. In the event that a Market Analysis is more than 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 12 months old as of the first day of the Application Acceptance Period; and

(iii) The Market Analysis must be prepared in accordance with the methodology prescribed in the Department's Market Analysis Rules and Guidelines, §1.33 of this title. In the event that a Market Analysis on the Development is older than 6 months as of 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 12 months old as of the first day of the Application Acceptance Period. The Market Analysis should be prepared for and addressed to the Department.

(iv) For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (7) or (12)(A) of this subsection, will satisfy the requirement for a Market Analysis; ~~no additional Market Analysis is required; however the Department may request additional information as needed. (2306.67055) as added Section 21 of 2306~~ (§42(m)(1)(A)(iii))

(i) The Department may determine from time to time that information not required in the Department Market Analysis and Appraisal 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 Qualified Market Analyst to meet this need.

(ii) All Applicants acknowledge by virtue of filing an Application that the Department is not bound by any opinion expressed in the Market Analysis and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.

(C) A Property Condition Assessment (PCA) report:

(i) prepared by a qualified Third Party;

(ii) dated not more than 6 months prior to the first day of the Application Acceptance Period;

and

(iii) prepared in accordance with the Department's Property Condition and Assessment Rules and Guidelines, §1.36 of this title.

(iv) For Developments which require a capital needs assessment from TX-USDA-RHS, the capital needs assessment may be substituted and may be more than 6 months old, as long as TX-USDA-RHS has confirmed in writing that the existing capital needs assessment is still acceptable.

(D) An appraisal report:

(i) prepared by a qualified Third Party;

(ii) dated not more than 6 months prior to the first day of the Application Acceptance Period;

and

(iii) prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Department's Appraisal Rules and Guidelines, §1.34 of this title.

(iv) For Developments which require an appraisal from TX-USDA-RHS, the appraisal may be more than 6 months old, as long as TX-USDA-RHS 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.

(F) ~~(D)~~ 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.

(G) The requirements for each of the reports identified in subparagraphs (A) – (C) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph and meet the requirements of clause (iii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 1, 2006-2005. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 1, 2006-2005. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

(iii) A single hard copy of the report and a soft copy in the format of a single file containing all information and exhibits in the hard copy report, presented in the order they appear in the hard copy report on a CD-R clearly labeled with the report type, Development name, and Development location are required.

(15) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form." An Applicant may not adjust the Application Self Scoring Form without a request from the Department as a result of an Administrative Deficiency.

(ig) Selection Criteria. All Applications will be scored and ranked using the point system identified in this subsection. When applicable, use normal rounding. All Applications, with the exception of TX-USDA-RHS Applications, must score a minimum of 115 points to be eligible for an allocation of Housing Tax Credits. Maximum Total Points: 191-209.

(1) Financial Feasibility of the Development. Financial Feasibility of the Development based on the supporting financial data required in the Application that will include a Development underwriting pro forma from the permanent or construction lender. (2306.6710(b)(1)(A)) Applications may qualify to receive 28 points for this item. Evidence will include the documentation required for this exhibit in addition to the commitment letter required under subsection (hF)(7)(C) of this section. The supporting financial data shall include a thirty year pro forma prepared by the permanent or construction lender specifically identifying each of the first ten years and every fifth year thereafter. The pro forma must indicate that the development pro forma maintains a 1.10 debt coverage ratio throughout the initial thirty years proposed for all third party lenders that require scheduled repayment. In addition, the commitment letter must state that the lender's assessment finds that the Development will be feasible for thirty years. Points will be awarded if these criteria are met. No partial points will be awarded. For Developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" or other form deemed acceptable by the Department shall meet the requirements of this section.

(2) Quantifiable Community Participation from Neighborhood Organizations on Record with the State or County and Whose Boundaries Contain the Proposed Development Site. 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. (§2306.6710(b)(1)(B); §2306.6725(a)(2)). 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 subsection (hF)(8)(A)(ii)(I) of this section if the organization provides the information and documentation required below. 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.

(A) Basic Submission Requirements for Scoring. Each neighborhood organization may submit one letter (and enclosures) that represents the organization's input. In order to receive a point score, the letter (and enclosures) must be received by the Department no later than April 1, 2006-2005, directly from the neighborhood organization or with the Application. Letters should be addressed to the Texas Department of Housing and Community Affairs, "Attention: Executive Director (Neighborhood Input)." Letters received after April 1, 2005-2006 will be summarized for the Board's information and consideration, but will not affect the score for the Application. The organization's letter (and enclosures) must:

(i) state the name and location of the proposed Development on which input is provided. A letter may provide input on only one proposed Development; if an organization is eligible desires to provide input on additional Developments, each Development must be addressed in a separate letter;

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(ii) be signed by the chairman of the board, chief executive officer, or comparable head of the organization, and provide the signer's street and mailing address, phone number, and an e-mail address or facsimile number for the organization;

(iii) establish that the organization has boundaries, state what the boundaries are, and establish that the boundaries contain the proposed development site. A map must be provided with the geographic boundaries of the organization and the proposed Development site clearly marked within those boundaries;

(iv) establish that the organization is a "neighborhood organization." A "neighborhood organization" is 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. "Neighborhood organizations" include homeowners associations, property owners associations, and public housing resident councils (only for rehabilitation applications in which the council is commenting on the rehabilitation of the property occupied by the residents). "Neighborhood organizations" do not include broader based "community" organizations; organizations that have no members other than board members; chambers of commerce; community development corporations; churches; school related organizations; Lions, Rotary, Kiwanis, and similar organizations; Habitat for Humanity; Boys and Girls Clubs; charities; public housing authorities; or any governmental entity. Organizations whose boundaries include an entire county or larger area are not "neighborhood organizations." Organizations whose boundaries include an entire city are generally not "neighborhood organizations."

(v) include documentation showing that the organization is on record as of March 1, ~~2005-2006~~ with the state or county in which the Development is proposed to be located. A record from the Secretary of State showing that the organization is incorporated or from the county clerk showing that the organization is on record with the county is sufficient. For a property owners association, a record from the county showing that the organization's management certificate is on record is sufficient. The documentation must be from the state or county and be current. If an organization's status with the Secretary of State at any time during the Application Round is shown as "forfeited," "dissolved," or any similar status in the documentation provided by the organization, the organization will not be considered on record with the state. It is insufficient to be "on record" to provide only a request to the county or a state entity to be placed on record or to show that the organization has corresponded with such an entity or used its services or programs. It is insufficient to show that the organization is on record with a city. As an option to be considered on record with the state, a letter including a contact name with a mailing address and phone number; name and position of officers; and a written description and map of the organization's geographical boundaries must be received by the Department no later than March 1, ~~2005-2006~~ to place the organization on record with the state. The letter should be addressed to the Texas Department of Housing and Community Affairs, "Attention: Executive Director (Recording of Neighborhood Organization)". Acceptance of this documentation by the Department will satisfy the "on record with the state" requirement, but is not a determination that the organization is a "neighborhood organization" or that other requirements are met. The Department is permitted to issue a 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) accurately state that the neighborhood organization was not formed by any Applicant, Developer, or any employee or agent of any Applicant in the ~~2005-2006~~ tax credit Application Round, and that the organization and any member did not accept money or a gift to cause the neighborhood organization to take its position of support or opposition, and has not provided any assistance to the neighborhood organization to meet the requirements of this subparagraph.

(vii) state the total number of members of the organization and provide a brief description of the process used to determine the members' position of support or opposition. 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 to this meeting.

(viii) include the organization's articles of incorporation and/or bylaws created on or before March 1, 2006, that, at a minimum, identify the boundaries of the organization, identify the officers of the organization and clearly indicate the purpose of the organization.

(ix) The boundaries in effect for the organization on March 1, 2006, will be those boundaries utilized for the purposes of evaluating these letters and determining eligibility. Annexations occurring after that time to include a Development site will not be considered eligible. A Development site must be entirely contained within the boundaries of the organization to satisfy eligibility for this item; a site that is only partially within the boundaries will not satisfy the requirement that the boundaries contain the proposed Development site.

(x) Letters from organizations, and subsequent correspondence from organizations, may not be provided via the Applicant which includes facsimile and email communication.

~~(B) Scoring of Letters (and Enclosures). To be scored, the letter (and enclosures) must provide "quantifiable" input. The input must clearly and concisely state each reason for the organization's support for or opposition to the proposed Development.~~

~~(i) The score awarded for each letter for this exhibit will range from a maximum of +~~12~~24 for the strongest position of support to +~~12~~0 for the neutral position to -~~12~~0 for the strongest position of opposition. The number of points to be allocated to each organization's letter will be ~~recommended by the Executive Award and Review Advisory Committee~~ based on the ~~factual basis of the~~ organization's letter and evidence enclosed with the letter. 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.~~

~~(ii) The Department highly values quality public input addressed to the merits of a Development. Input that points out ~~possible errors in the Department's analysis and~~ 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.~~

~~(iii) In general, letters that meet the requirements of this paragraph and~~

~~(I) establish three or more reasons for support or opposition will be scored the maximum points for either support (+~~12~~24 points) or opposition (-~~12~~zero);~~

~~(II) establish two reasons for support or opposition will be scored up to +~~6~~4 points for support or -~~6~~4 points for opposition;~~

~~(III) establish one reason for support or opposition will be scored +~~1~~4 points for support or -~~1~~4 points for opposition;~~

~~(IV) that do not establish a reason for support or opposition or that are unclear will be scored as neutral (~~0~~+12 points).~~

~~(iv) Applications for which no letters from neighborhood organizations are scored will receive a neutral score of +~~12~~0 points.~~

~~(C) Basic Submission Deficiencies. The Department is authorized but not required to request that the neighborhood organization provide additional information or documentation the Department deems relevant to clarify information contained in the organization's letter (and enclosures). If the Department determines to request additional information from an organization, it will do so by e-mail or facsimile to the e-mail address or facsimile number provided with the organization's letter. If the deficiencies are not clarified or corrected in the Department's determination within ~~seven~~ten business days from the date the e-mail or facsimile is sent to the organization, the organization's letter will not be considered further for scoring and the organization will be so advised. This potential deficiency process does not extend any deadline required above for the "Quantifiable Community Participation" process. An organization may not submit additional information or documentation after the April 1, ~~2005~~2006 deadline except in response to an e-mail or facsimile from the Department specifically requesting additional information.~~

~~(3) The Income Levels of Tenants of the Development. Applications may qualify to receive up to 22 points for qualifying under only one of subparagraphs (A) - (F) of this paragraph. To qualify for these points, the tenant incomes must not be higher than permitted by the AMGI level. 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). (2306.6710(b)(1)(C); 2306.111(g)(3)(B); 2306.6710(e); 42(m)(1)(B)(ii)(I); 2306.111(g)(3)(E)) ~~Use normal rounding for this exhibit.~~~~

~~(A) 22 points if at least 80% of the Total Units in the Development are set-aside with incomes at or below 50% of AMGI; or~~

~~(B) 22 points if at least 10% of the Total Units in the Development are set-aside with incomes at or below 30% of AMGI; or~~

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(C) 20 points if at least 60% of the Total Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(D) 18 points if at least 40% of the Total 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 Total Units are at or below 30% of AMGI; or

(E) 16 points if at least 40% of the Total Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(F) 14 points if at least 35% of the Total Units in the Development are set-aside with incomes at or below 50% of AMGI.

(4) **The Size and Quality of the Units (Development Characteristics).** Applications may qualify to receive up to 20 points. Applications may qualify for points under both subparagraphs (A) and (B) of this paragraph. (2306.6710(b)(1)(D); ~~2306.6725(b)(1)~~; 42(m)(1)(C)(iii))

(A) **Size of the Units.** Applications may qualify to receive 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, Developments receiving funding from TX-USDA-RHS, or Developments proposing single room occupancy without meeting these square footage minimums. The square feet of all of the Units in the Development, for each type of Unit, must be at least the minimum noted below.

- (i) 500 square feet for an efficiency unit;
- (ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;
- (iii) 900 square feet for a non-elderly two bedroom unit; 750 square feet for an elderly two bedroom unit;
- (iv) 1,000 square feet for a three bedroom unit; and
- (v) 1,200 square feet for a four bedroom unit.

(B) **Quality of the Units.** Applications may qualify to receive up to 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) - (xix) of this subparagraph, not to exceed 14 points in total. Applications involving scattered site Developments must have at least half of the Units located with a specific amenity to count for points. Applications involving Rehabilitation or single room occupancy may double the points listed for each item, not to exceed 14 points in total.

- (i) Covered entries (1 point);
- (ii) Nine foot ceilings (1 point);
- (iii) Microwave ovens (1 point);
- (iv) Self-cleaning or continuous cleaning ovens (1 point);
- (v) Ceiling fixtures in all rooms (light with ceiling fan in all bedrooms) (1 point);
- (vi) Refrigerator with icemaker (1 point);
- (vii) Laundry connections (2 points);
- (viii) 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);
- (ix) Laundry equipment (washers and dryers) for each individual unit (3 points);
- ~~(x) Thirty year architectural shingle roofing (1 point);~~
- (xi) Covered patios or covered balconies (1 point);
- (xii) Covered parking (including garages) of at least one covered space per Unit (2 points);
- (xiii) 100% masonry on exterior, which can include stucco, cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS or synthetic stucco (3 points);
- ~~(xiv) Greater than 75% masonry on exterior, which can include stucco and cementitious board products, concrete brick and mortarless concrete masonry, but not EIFS or synthetic stucco~~ (1 point);
- (xv) Use of energy efficient alternative construction materials (structurally insulated panel construction) with wall insulation at a minimum of R-20 (3 points).
- ~~(xvi) An insulation R-value (not wall system R-value) 10% greater than that required by local code R-15 Walls / R-30 Ceilings (rating of wall system)~~ (3 points);
- (xvii) 14 SEER HVAC or evaporative coolers in dry climates for New Construction or radiant barrier in the attic for Rehabilitation (3 points); (WG)
- (xviii) Energy Star or equivalently rated refrigerators and dishwashers kitchen appliances (2 points); or
- (xviii) High Speed Internet service to all Units at no cost to residents (2 points).
- (xix) Fire sprinklers in all Units (2 points).

(5) The Commitment of Development Funding by Local Political Subdivisions. Applications may qualify to receive up to 18 points for qualifying under either or both (A) or (B) of this paragraph. An Applicant may submit several sources to substantiate points for this section in the Application, but may not substitute any source after the Application has been submitted to the Department. (2306.6710(b)(1)(E))

~~(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a Local Political Subdivision or a properly-created governmental instrumentality thereof. An Applicant may receive points under this subparagraph even if the government instrumentality's creating statute states that the entity is not itself a "political subdivision." An Applicant whose Development receives a commitment from a governmental instrumentality with the legal authority to act on behalf of a Local Political Subdivision is also eligible for such points. In addition to loans or grants, in-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points. Points will be determined on a sliding scale based on the amount per Unit. 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; or a certification of intent to apply for funding that indicates the funding entity and program to which the application will be submitted, the loan amount to be applied for and the specific proposed terms. For in-kind contributions, evidence must be submitted to substantiate the value claimed for points as well as a statement of how the contribution will benefit the Development. At the time the executed Commitment Notice is required to be submitted, No later than May 1, 2006, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of the local political subdivision for the sufficient local funding to the Department. If the funding commitment from the local political subdivision has not been received by the date the Department's Commitment Notice 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 Notice 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 local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. Use normal rounding. No funds from TDHCA's HOME (with the exception of Developments located in non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. The Local Political Subdivision must attest to the fact that any funds committed were not first provided to the Local Political Subdivision by the Applicant, the Developer, Consultant, Related Party or any individual or entity acting on behalf of the proposed Application.~~

~~(A)(i) A contribution of \$500 to \$1,000 per Low Income/Low-income Unit receives 6 points; or~~

~~(B)(ii) A contribution of \$1,001 to \$3,500 per Low Income/Low-income Unit receives 12 points; or~~

~~(C)(iii) A contribution of \$3,501 or more per Low Income/Low-income Unit receives 18 points; or~~

~~(B) Evidence that the proposed Development will receive development-based Housing Choice, rental assistance vouchers, or rental assistance subsidy approved by the Annual Contributions Contract (ACC) between a public housing authority and HUD, all being from a local political subdivision for a minimum of five years. Evidence at the time the Application is submitted 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, or a certification of intent to apply for funding that indicates the funding entity and program to which the application will be submitted. At the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment for the vouchers to the Department. If the funding commitment from the local political subdivision has not been received by the date the Department's Commitment Notice 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 Notice 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 local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. No funds from the Department's HOME (with the exception of Developments located in non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. Use normal rounding. HUD must approve the vouchers no later than the time the 10% Test Documentation is submitted to the Department or the Commitment will be rescinded.~~

~~(i) Development-Based Vouchers for 3% to 5% of the total Units receives 6 points; or~~

~~(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 12 points; or~~

~~(iii) Development-Based Vouchers for 9% or more of the total Units receives 18 points.~~

(6) **The Level of Community Support from State Elected Officials.** The level of community support for the application, evaluated on the basis of written statements from state elected officials. (2306.6710(b)(1)(F) and (f) and (g); 2306.6725(a)(2)) Applications may qualify to receive up to ~~844~~ points for this item. Points will be awarded based on the written statements of support or opposition from state elected officials representing constituents in areas that include the location of the Development. Letters of support must identify the specific Development and must clearly state support for or opposition to the specific Development. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or official by April 1, 2005. Officials to be considered are those officials in office at the time the Application is submitted. Letters of support from state officials that do not represent constituents in areas that include the location of the Development 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. Letters from State of Texas Representative or Senator: support letters are 4 points each for a maximum of 8 points; opposition letters are -4 points each for a maximum of -8 points. ~~Letters from State of Texas Representative or Senator: support letters are 7 points each for a maximum of 14 points; opposition letters are -7 points each for a maximum of -14 points.~~

(7) **The Rent Levels of the Units.** Applications may qualify to receive up to 12 points for qualifying under this exhibit. (2306.6710(b)(1)(G)) ~~Use normal rounding for this section.~~ If 80% or fewer of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 7 points. If between 81% and 85% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 8 points. If between 86% and 90% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 9 points. If between 91% and 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 10 points. If greater than 95% of the Units in the Development (excluding any Units reserved for a manager) are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent, then the Development shall be awarded 12 points. Developments that are scattered site or 100% transitional will receive the full 12 points provided that they have received points under paragraph (3) of this subsection.

(8) **The Cost of the Development by Square Foot (Development Characteristics).** Applications may qualify to receive 10 points for this item. (2306.6710(b)(1)(H); 42(m)(1)(C)(iii)) For this exhibit, costs shall be defined as construction costs, including site work, 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). 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 ~~\$8075~~ per square foot for Qualified Elderly, Transitional, and Single Room Occupancy Developments, unless located in a "First Tier County" in which case their costs do not exceed ~~\$8277~~ per square foot; and ~~\$6765~~ for all other Developments, unless located in a "First Tier County" in which case their costs do not exceed ~~\$6967~~ per square foot. For 2005, the First Tier Counties are Aransas, Calhoun, Chambers, Jefferson, Kleberg, Nueces, San Patricio, Brazoria, Cameron, Galveston, Kennedy, Matagorda, Refugio and Willacy. (10 points)

(9) **The Services to be Provided to Tenants of the Development.** Applications may qualify to receive up to 8 points. Applications may qualify for points under both subparagraphs (A) and (B) of this paragraph. (2306.6710(b)(1)(I); 2306.254; 2306.6725(a)(1); General Appropriation Act, Article VII, Rider 7 ~~Rider 6 of Appropriations~~)

(A) Applicants will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).

(B) The Applicant must certify that the Development will provide a combination of special 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 subparagraph. 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 (maximum of 6 points).

(i) Applications will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing ~~two~~ of the services; or

(II) Four points will be awarded for providing ~~four~~ of the services; or

(III) Six points will be awarded for providing ~~six~~three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs or youth programs; scholastic tutoring; 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; any services addressed by §2306.254 Texas Government Code; or any other services approved in writing by the Department.

(10) **Housing Needs Characteristics.** (42(m)(1)(C)(ii)) Applications may qualify to receive up to 7 points. Each Application, based on the ~~Area~~place or county where the Development is located, will receive a score based on the Uniform Housing Needs Scoring Component. If a Development is in a place, the ~~Area~~place score will be used. If a Development is not within a place, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each ~~Area~~place and county will be published in the Reference Manual.

(11) **Development Includes the Use of Existing Housing as part of a Community Revitalization Plan (Development Characteristics).** Applications may qualify to receive 7 points for this item. (42(m)(1)(C)(iii)) The Development is an existing Residential Development and the proposed ~~R~~rehabilitation or demolition and reconstruction is part of a ~~C~~community ~~R~~evitalization ~~P~~lan. Evidence of the Community Revitalization Plan and a map showing the boundaries of the Community Revitalization Plan and the location of the Development site within the boundaries must be submitted.

(12) **Pre-Application Participation Incentive Points.** (2306.6704) Applications which 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 site as the proposed Development in the Pre-Application;

(B) have met the Pre-Application Threshold Criteria;

(C) be serving the same target population (family, elderly, and transitional) as in the Pre-Application;

(D) be serving the same target 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

(E) 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 subsections (i)(2) and (i)(6) of this title. 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-scoring sheet.

(13) **Development Location.** (2306.6725(a)(4) ~~and (b)(2); 2306.127; 42(m)(1)(C)(i); 42 U.S.C. 3608(d) and (e)(5)~~) Applications may qualify to receive 4 points. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) - (H) of this paragraph. Areas qualifying under any one of the subparagraphs (A) - (H) of this paragraph will receive 4 points. An Application may only receive points under one of the subparagraphs (A) - (H) of this paragraph.

(A) A geographical ~~A~~area which is an Economically Distressed Area; a Colonia; or a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD.

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the first day of the Application Acceptance Period. (General Appropriation Act, Article VII, Rider 6; 2306.127)

(C) a city or county-sponsored area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation, or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city or county-sponsored zone or district; a map from the

city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated Area was created by the local city council/county commission, and targets a specific geographic Area which was not created solely for the benefit of the Applicant.

(D) the Development is located in a county that has received an award as of November 15, ~~2005~~2004, within the past three years, 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) the Development is located in a census tract in which there are no other existing developments supported by housing tax credits. Applicant must provide evidence. (2306.6725(b)(2))

(F) 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 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.

(G) 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 of an elementary school that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. 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))

(H) the proposed Development will expand affordable housing opportunities for ~~low income~~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))

(14) Exurban Developments or Reconstruction or Rehabilitation of Developments (Development characteristics). (2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i)) Applications may qualify to receive 7 points if the Development is located in an incorporated place or census designated place that is not a Rural Area but has a population no greater than 100,000 based on the most current available information published by the United States Bureau of the Census as of October 1 of the year preceding the applicable program year, or if a Development is proposed for reconstruction or rehabilitation (in whole or in part, on-site or off-site) that will be financed, in part, with HOPE VI financing or HUD capital grant financing provided that the Application is a joint venture partnership between the public housing authority or an entity formed by the public housing authority and private market interests (either for profit or nonprofit).

(15) Tenant Populations with Special Housing Needs. Applications may qualify to receive 4 points for this item. (42(m)(1)(C)(v)) The Department will award these points to Applications in which at least 10% of the Units are set aside for Persons with Special Needs.

~~(15) Tenant Populations with Special Housing Needs.~~ Applications may qualify to receive 4 points for this item. (42(m)(1)(C)(v)) Evidence that the Development is designated for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist the homeless tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, as may be amended from time to time. All of the items described in subparagraphs (A) — (E) of this paragraph must be submitted. If all Units in the Development are designed solely for transitional housing for homeless persons, 4 points will be awarded.

~~(A) a detailed narrative describing the type of proposed housing;~~

~~(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;~~

~~(C) a marketing plan designed to attract qualified tenants and housing providers;~~

~~(D) a list of supportive services; and~~

~~(E) adequate additional income source to supplement any anticipated operating and funding gaps.~~

(16) Length of Affordability Period. Applications may qualify to receive up to 4 points. (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)) In accordance

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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 30 years required in the Code may receive points as follows:

- (A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (2 points); or
- (B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (4 points)

(17) **Site Characteristics.** Sites will be evaluated based on proximity to amenities, the presence of positive site features and the absence of negative site features. Sites will be rated based on the criteria below.

(A) **Proximity of site to amenities.** Developments located on sites within a one mile radius (two-mile radius for Developments competing for a Rural Regional Allocation) of at least three services appropriate to the target population will receive four points. A site located within one-quarter mile of public transportation or located within a community that has "on demand" transportation, 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 on demand service, then this will be a requirement of the LURA. Only one service of each type listed below will count towards the points. A map must be included identifying the development site and the location of the services, ~~as well as written directions from the site to each service.~~ The services must be identified by name on the map, ~~and in the written directions.~~ If the services are not identified by name, points will not be awarded. All services must exist or, if under construction, must be at least 50% complete by the date the Application is submitted. (4 points)

- (i) Full service grocery store or supermarket
- (ii) Pharmacy
- (iii) Convenience Store/Mini-market
- (iv) Department or Retail Merchandise Store
- (v) Bank/Credit Union
- (vi) Restaurant (including fast food)
- (vii) Indoor public recreation facilities, such as civic centers, community centers, and libraries
- (viii) Outdoor public recreation facilities such as parks, golf courses, and swimming pools
- (ix) Hospital/medical clinic
- (x) Doctor's offices (medical, dentistry, optometry)
- (xi) Public Schools (only eligible for Developments that are not Qualified Elderly Developments)
- (xii) Senior Center (only eligible for Qualified Elderly Developments)

(B) **Negative Site Features.** Sites with the following negative characteristics will have points deducted from their score. For purpose 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. ~~Applicants must indicate on a map the location of any negative site feature, with the exception of slope which must be documented with an engineer's certificate to ensure that points are not deducted.~~ If an Applicant negligently fails to note a negative feature, double points will be deducted from the score or the Application may be terminated. If none of these negative features exist, the Applicant must sign a certification to that effect. (-5 points)

(i) Developments located adjacent to or within 300 feet of junkyards will have 1 point deducted from their score.

(ii) Developments located adjacent to or within 300 feet of active railroad tracks will have 1 point deducted from their score. Rural Developments funded through TX-USDA-RHS are exempt from this point deduction.

(iii) Developments located adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants will have 1 point deducted from their score.

(iv) Developments located adjacent to or within 300 feet of a solid waste or sanitary landfills will have 1 point deducted from their score.

(v) Developments located adjacent to or within 100 feet of high voltage transmission power lines will have 1 point deducted from their score.

(18) **Development Size.** The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger ~~existing tax credit~~ development (3 points).

(19) **Qualified Census Tracts with Revitalization.** Applications may qualify to receive 2 points for this item. (42(m)(1)(B)(ii)(III)) Applications will receive the points 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 provided and a map showing boundaries of the Community Revitalization Plan and the location of the Development site within the boundaries must be submitted.

(20) **Sponsor Characteristics.** Applications may qualify to receive 2 points for this item. (42(m)(1)(C)(iv)) An Application will receive these two points as long as no individual or entities associated with the Applicant, Development Owner or Developer has had a Carryover Allocation issued in the state of Texas after January 1, 2000, but prior to January 1, 2004, for which the buildings were not placed in service and/or for which IRS Forms 8609 were not issued.

~~Evidence that a HUB, as certified by the Texas Building and Procurement Commission, 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 Building and Procurement Commission 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.~~

(21) **Projects 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 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 years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two 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 C.F.R. §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 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 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.

(22) **Leveraging of Private, State, and Federal Resources.** Applications may qualify to receive 1 point for this item. (2306.6725(a)(3)) Evidence that the proposed Development has received an allocation of private, state or federal resources, including HOPE VI funds, that is equal to or greater than 2% of the Total Development costs reflected in the Application. 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 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. No later than May 1, 2006, At the time the executed Commitment Notice 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 has not been received by the date the Department's Commitment Notice 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 Notice 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 Notice will be rescinded and the credits reallocated. Use normal rounding.~~ 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. To qualify for this point, the Rent Schedule must show that at least 3% of all ~~low-income~~low-income Units are designated to serve individuals or families with incomes at or below 30% of AMGI.

(23) **Third-Party Funding Commitment 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 ~~(not a Related Party to the Applicant or Developer)~~ funding sources and the Development is located outside of a Qualified Census Tract. 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% of the Total Development costs reflected in the Application. ~~Use normal rounding.~~ Funds from the Department's HOME and Housing Trust Fund sources will not qualify under this category. The third-party funding source cannot be a loan from a commercial lender.

(24) Scoring Criteria Imposing Penalties. (2306.6710(b)(2))

(A) Penalties will be imposed on an Application if the Applicant has requested an extension of a Department 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. The extension that will receive a penalty is an extension related to the submission of the carryover. For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline. Subsequent extension requests for carryover after the first extension request made for each development from the preceding round will not result in a further point reduction than already described. 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 TX-USDA-RHS as a lender if TX-USDA-RHS or the Department is the cause for the Applicant not meeting the deadline.

(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, 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. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.

~~(j)~~ Tie Breaker Factors. ~~(2306.185(a)(1) and (b))~~

(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/Exurban 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 of existing Units will win this first tier tie breaker over Applications involving solely New Construction.~~

~~(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.~~

~~(B) The amount of requested tax credits per net rentable square foot requested (the lower credits per square foot has preference)~~

~~(C) An Application will have preference if the Development Owner certifies that it will cooperate with the local public housing authority in accepting tenants from their waiting lists.~~

(2) This clause identifies how ties will be handled when dealing with the restrictions on location identified in ~~§49.50.5(a)(8)~~, and in dealing with any issues relating to capture rate calculation. When two ~~Tax Exempt~~ ~~Tax-Exempt~~ Bond Developments would violate one of these restrictions, and only one Development can be selected, the Department will utilize the reservation docket ~~lot~~ number issued by ~~during~~ the Texas Bond Review Board ~~lottery~~ 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~~ ~~Tax-Exempt~~ Bond Development and a competitive Housing Tax Credit Application in the Application Round ~~with the same score~~ would both violate a restriction, the following determination will be used:

~~(A) Tax Exempt~~ ~~Tax-Exempt~~ Bond Developments that receive their reservation from the Bond Review Board on or before ~~prior to~~ April 30, 2005-2006 will take precedence over the Housing Tax Credit Applications in the 2005-2006 Application Round; ~~and~~

~~(B) Housing Tax Credit Applications approved by the Board for tax credits in July~~ 2005-2006 will take precedence over the ~~Tax Exempt~~ ~~Tax-Exempt~~ Bond Developments that received their reservation from the Bond Review Board on or between May 1, 2005-2006 and July 31, 2006; ~~and~~

~~(C) After July 31, 2006~~ 2004, a ~~Tax Exempt~~ ~~Tax-Exempt~~ Bond Development with a reservation from the Bond Review Board will take precedence over any Housing Tax Credit Application from the 2005-2006 Application Round on the Waiting List. However, if no reservation has been issued by the date the Board approves an allocation to a Development from the Waiting List of Applications in the 2005-2006 Application Round or a forward commitment, then the Waiting List Application or forward commitment will be eligible for its allocation.

(k) **Staff Recommendations.** (2306.1112 and 2306.6731) After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. The Committee will develop funding priorities and shall make commitment recommendations to the Board. Such recommendations and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will address at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all ~~evaluation~~ factors provided in subsection ~~§50.10(a)(9)~~ of this section that were used in making this determination.

§49-50.10 Board Decisions; Waiting List; Forward Commitments

(a) **Board Decisions.** 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 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); 42(m)(1)(A)(iv); 2306.6731)

(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~~ ~~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. In making tax credit decisions (including those related to ~~Tax-Exempt~~ ~~Tax-Exempt~~ Bond Developments), the Board, in its discretion, may evaluate, consider and apply any one or more of the following discretionary factors: (2306.111(g)(3); 2306.0661(f))

- (A) the developer market study;
- (B) the location;
- (C) the compliance history of the Developer;
- (D) the Applicant and/or Developer's efforts to engage the neighborhood;
- (E) the financial feasibility;
- (F) the appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;
- (G) the housing needs of the community, area, region and state;
- (H) the Development's proximity to other ~~low-income~~ ~~low-income~~ housing developments;
- (I) the availability of adequate public facilities and services;
- (J) the anticipated impact on local school districts;
- (K) zoning and other land use considerations;
- (L) laws relating to fair housing including affirmatively furthering fair housing;
- (M) the efficient use of the tax credits;
- (N) consistency with local needs, including consideration of revitalization or preservation needs;
- (O) the allocation of credits among many different entities without diminishing the quality of the housing; (General Appropriation Act, Article VII, Rider 8(e))
- (P) meeting a compelling housing need;
- (Q) providing integrated, affordable housing for individuals and families with different levels of income;
- (R) the inclusive capture rate as described under §1.32(g)(2);
- (S) any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code; or
- (T) other good cause as determined 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. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development or Applicant. (2306.057)

(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 commitments, 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. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice 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 required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice 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~~ Developments 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 rule and the Application Submission 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. The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the ~~2005-2006~~ calendar year, also referred to as Rural Rescue Developments. Applications that are submitted under the ~~2005-2006~~ QAP and granted a Forward Commitment of ~~2007-2006~~ Housing Tax Credits are considered by the Board to comply with the ~~2007-2006~~ QAP by having satisfied the requirements of this ~~2005-2006~~ QAP, except for statutorily required QAP changes.

(1) Unless otherwise provided in the Commitment Notice 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 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 the Code, §42(h)(1)(C).

(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.

~~§49-50.11.~~ Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.

(a) Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.

(1) Within approximately seven business days after the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, Set-Aside, number of units, requested credits, owner contact name and phone number. (2306.6717(a)(1))

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) Not later than 14 days after the close of the Pre-Application Acceptance Period, or Application Acceptance Period for Applications for which no Pre-Application was submitted, the Department shall: (2306.1114)

(A) publish an Application submission log on its web site.

(B) give notice of a proposed Development in writing that provides the information required under clause (i) of this subparagraph to all of the individuals and entities described in clauses (ii) - ~~(x)~~ ~~(viii)~~ of this subparagraph. (2306.6718(a) - (c))

(i) The following information will be provided in these notifications:

(I) The relevant dates affecting the Application including the date on which the Application was filed, the date or dates on which any hearings on the Application will be held and the date by which a decision on the Application will be made;

(II) A summary of relevant facts associated with the Development;

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(III) A summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(IV) The name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

(ii) Presiding officer of the governing body of the political subdivision containing the Development (mayor or county judge) to advise such individual that the Development, or a part thereof, will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development.

~~(iii) If the Department receives a letter from the mayor or county judge of an affected city or county presiding officer of the governing body expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development with the mayor or county judge or their designated representative within 30 days of notification, to conduct a physical inspection of the Development site and consult with the presiding officer of the governing body. The site visit must occur before the Housing Tax Credit can be approved by the Board. before the Application is scored, if opposition is received prior to scoring being completed. The Department will obtain reimbursement from the Applicant for the necessary travel and expenses at rates consistent with the state authorized rate (General Appropriation Act, Article VII, Rider 5) (Rider 4 of Appropriations Bill) (\$42(m)(1));~~

~~(iviii) Any member of the governing body of a political subdivision who represents the Area containing the Development. If the governing body has single-member districts, then only that member of the governing body for that district will be notified, however if the governing body has at-large districts, then all members of the governing body will be notified;~~

~~(iv) state representative and state senator who represent the community where the Development is proposed to be located. If the state representative or senator ~~host~~ hold a community meeting, the Department will ensure staff are in attendance to provide information regarding the Housing Tax Credit Program; shall provide appropriate representation. (General Appropriation Act, Article VII, Rider 8(d))~~

~~(vi) United States representative who represents the community containing the Development;~~

~~(vii) Superintendent of the school district containing the Development;~~

~~(viii) Presiding officer of the board of trustees of the school district containing the Development;~~

~~(ixviii) Any Neighborhood Organizations on record with the city or county in which the Development is to be located and whose boundaries contain the proposed Development site, based on the letters obtained by the Applicant under §49.9(f) of this title or otherwise known to the Applicant or Department and on record with the state or county; and~~

~~(ix) Advocacy organizations, social service agencies, civil rights organizations, tenant organizations, or others who may have an interest in securing the development of affordable housing that are registered on the Department's email list service.~~

(C) The elected officials identified in subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process. (\$42(m)(1))

(4) The Department shall hold at least three public hearings in different Uniform State Service Regions of the state to receive comment on the submitted Applications and on other issues relating to the Housing Tax Credit Program for competitive Applications under the State Housing Credit Ceiling. (2306.6717(c))

(5) The Department shall make available on the Department's website information regarding the Housing Tax Credit Program including notice of public hearings, meetings, Application Round opening and closing dates, submitted Applications, and Applications approved for underwriting and recommended to the Board, and shall provide that information to locally affected community groups, local and state elected officials, local housing departments, any appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, nonprofit and for-profit organizations, on-site property managers of occupied Developments that are the subject of Applications for posting in prominent locations at those Developments, and any other interested persons including community groups, who request the information. (2306.6717(b); ~~2306.6732~~)

(6) Approximately forty days prior to the date of the July Board meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of completion of each stage of the Application process, including the results of the Application scoring and underwriting phases and the commitment phase, the results will be posted to the Department's web site. (2306.6717(a)(3))

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices ~~or Determination Notices~~ shall be discussed, the Department will:

(A) provide the Application scores to the Board; (2306.6711(a))

(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log as further described in §49-50.19(b) of this title, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application. (2306.6711(a) and 2306.6717(a)(1) and (2))

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit commitment decisions will be made.

(10) Not later than the 120th day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting. (2306.6711(e))

(b) **Viewing of Pre-Applications and Applications.** Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) **Confidential Information.** The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code. (2306.6717(d))

§49-50.12. ~~Tax-Exempt~~ Tax-Exempt Bond Developments: Filing of Applications; Applicability of Rules; Supportive Services; Financial Feasibility Evaluation; Satisfaction of Requirements.

(a) **Filing of Applications for ~~Tax-Exempt~~ Tax-Exempt Bond Developments.** Applications for a ~~Tax-Exempt~~ 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 ~~2005-2006~~ 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 5:00 p.m. on December 30, ~~2004~~2005. Such filing must be accompanied by the Application fee described in §49-50.20 of this title.

(2) Applicants which receive advance notice of a Program Year ~~2005-2006~~ 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 §49-50.20 of this title prior to the Applicant's bond reservation date as assigned by the TBRB. Any outstanding documentation required under this section must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested.

(b) **Applicability of Rules for ~~Tax-Exempt~~ Tax-Exempt Bond Developments.** ~~Tax-Exempt~~ Tax-Exempt Bond Development Applications are subject to all rules in this title, with the only exceptions being the following sections: §49-50.4 of this title (regarding State Housing Credit Ceiling), §49-50.7 of this title (regarding Regional Allocation and Set-Asides), §49-50.8 of this title (regarding Pre-Application), §49-50.9(d) and (f) of this title (regarding Evaluation Processes for Competitive Applications and Rural Rescue Applications ~~Review and Prioritization~~), §49-50.9(i) of this title (regarding Selection Criteria), §49-50.10(b) and (c) of this title (regarding Waiting List and Forward Commitments), and §49-50.14(a) and (b) of this title (regarding Carryover and 10% Test). Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §49-50.9(hf) of this title. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. Consistency with the local municipality's consolidated plan or similar planning document must be demonstrated in those instances where the city or county has a consolidated plan. Applicants will be required to meet all conditions of the Determination Notice by the time the construction loan is closed unless otherwise specified in the Determination Notice. Applicants must meet the requirements identified in §49-50.15(a) of this title. No later than 60 days following closing of the bonds, the Development Owner must also submit a

Management Plan and an Affirmative Marketing Plan (as further described in the Carryover Allocation 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 hours and the Development architect at Department-approved Fair Housing training relating to design issues for at least five hours. Certifications must not be older than two years. Applications that receive a reservation from the Bond Review Board on or before December 31, 2004-2005 will be required to satisfy the requirements of the 2004-2005 QAP; Applications that receive a reservation from the Bond Review Board on or after January 1, 2005-2006 will be required to satisfy the requirements of the 2005-2006 QAP.

(c) **Supportive Services for ~~Tax-Exempt~~Tax-Exempt Bond Developments.** (2306.254) ~~Tax-Exempt~~~~Tax-Exempt~~ Bond Development Applications must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of these services will be included in the LURA. Acceptable services as described in paragraphs (1) - (3) of this subsection include:

(1) the services must be in at least one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, organized team sports programs, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or

(2) any other program 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

(3) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

(d) **Financial Feasibility Evaluation for ~~Tax-Exempt~~Tax-Exempt Bond Developments.** Code §42(m)(2)(D) requires the bond issuer (if other than the Department) to ensure that a ~~Tax-Exempt~~~~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 Underwriting Rules and Guidelines, §1.32 of this title or request that the Department perform the function. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may 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 Code §42(m)(2)(D), that the ~~Tax-Exempt~~~~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. 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.

(e) **Satisfaction of Requirements for ~~Tax-Exempt~~Tax-Exempt Bond Developments.** If the Department staff determines that all requirements of this QAP and Rules have been met, the Department will recommend that the Board authorize the issuance of a Determination Notice. The Board, however, may utilize the discretionary factors identified in §49.50.10(a) of this title in determining if they will authorize the Department to issue a Determination Notice to the Development Owner. The Determination Notice, if authorized by the Board, will confirm that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

§49-50.13 Commitment and Determination Notices; Agreement and Election Statement; Documentation Submission Requirements.

(a) **Commitment and Determination Notices.** If the Board approves an Application, within ten days of approval the Department will:

(1) if the Application is for a commitment from the State Housing Credit Ceiling, issue a Commitment Notice 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 at §49-50.16 of this title, 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 Notice or Determination Notice, pays the required fee specified in §49-50.20 of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting an extension request and associated extension fee as described in §49-50.20 of this title. Any such extension must be approved by the Board. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.

(2) if the Application regards a ~~Tax-Exempt~~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 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 at §49-50.12 of this title and compliance by the Development Owner with all applicable requirements of this title 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 and paying the required fee specified in §49-50.20 of this title. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.

(3) 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 Notice 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 ~~R~~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 Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

(5) A Commitment or Determination Notice shall not be issued with respect to the Applicant, the Development Owner, the General Contractor, or any Affiliate of the General Contractor that is active in the ownership or Control of one or more other ~~low-income~~low-income rental housing properties in the state of Texas administered by the Department, or outside the state of Texas, that is in Material ~~Noncompliance~~Non-Compliance with the LURA (or any other document containing an Extended ~~Low-Income~~Low-income Housing Commitment) or the program rules in effect for such property, as described in §60.1 of this title.

(6) The executed Commitment or Determination Notice must be returned to the Department within ten days of the effective date of the Notice.

(b) **Agreement and Election Statement.** Together with the Development Owner's acceptance of the Carryover Allocation, 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 for the Development as that for the month in which the Carryover Allocation was accepted (or the month the bonds were issued for ~~Tax-Exempt~~Tax-Exempt Bond Developments), as provided in the Code, §42(b)(2). 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, 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.

(c) **Documentation Submission Requirements at Commitment of Funds.** No later than the date the Commitment Notice or Determination Notice is executed by the Applicant and returned to the Department with the appropriate Commitment Fee as further described in §49-50.20(f) of this title, the following documents must also be provided to the Department. Failure to provide these documents may cause the Commitment to be rescinded. For each Applicant all of the following must be provided:

- (1) Evidence that the entity has the authority to do business in Texas;
- (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 Organization from the Secretary of State;
- (3) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement; and
- (4) 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 or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents.

§49-50.14. Carryover; 10% Test; Commencement of Substantial Construction.

(a) **Carryover.** All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued. 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 Notice 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. 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. The Carryover Allocation format must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All Carryover Allocations will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) The Development Owner for all New Construction Developments must have purchased the property for the Development.

(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 Manual 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 Carryover Procedures Manual.

~~(3) Attendance of the Development Owner and Development architect at Department approved Fair Housing training on or before the time the 10% Test Documentation is submitted~~

(34) For all Developments involving New Construction, 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 must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, 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 property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

~~(5) Development Owners must provide evidence to the Department that they have notified the District office of the Texas Department of Transportation of their proposed property consistent with the template provided in the Carryover Allocation Procedures Manual.~~

(4) The Department will not execute a Carryover Allocation Agreement with any Owner in Material Noncompliance on October 1, 2006.

(b) **10% Test.** No later than six 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 and Treasury Regulations, §1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than June 30 of the year following the execution of the Carryover Allocation Document in a format prescribed by the Department. At the time of submission of the documentation, the Development Owner

must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. 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 hours and the Development architect at Department-approved Fair Housing training relating to design issues for at least five hours on or before the time the 10% Test Documentation is submitted. Certifications must not be older than two years.

(c) Commencement of Substantial Construction. The Development Owner must submit evidence of having commenced and continued substantial construction activities. 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 §49.50.20 of this title. ~~The minimum activity necessary to meet the requirement of the substantial construction for new Developments will be defined as having expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent construction contract application for payment and the inspecting architect. The minimum activity necessary to meet the requirement of substantial construction for rehabilitation Development will be defined as having expended 10% of the construction budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.~~

~~§49.50.15. LURA, Cost Certification, LURA.~~

(a) Land Use Restriction Agreement (LURA). The Development Owner must request a LURA from the Department no later than the date specified in §60.1(p)(6), the Department's Compliance Monitoring Policies and Procedures. The Development Owner must 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 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.

(b) Cost Certification. The Cost Certification Procedures Manual sets forth the documentation required for the Department to perform a feasibility analysis in accordance with §42(m)(2)(C)(i)(II) and determine the final Credit to be allocated to the Development.

(1) To request 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; or December 31 of the second year following the year the Carryover Allocation Agreement was executed;

(B) Scheduled a final construction inspection in accordance with §60.1(c) of this title;

(C) Informed the Department of and received written approval for all Development amendments in accordance with §50.17(c) of this title;

(D) Submitted to the Department the LURA in accordance with §50.15(a) of this title;

(E) Paid all applicable Department fees; and

(F) Prepared all Cost Certification documentation in the format prescribed by the Cost Certification Procedures Manual.

~~If a Carryover Allocation was not requested and received, Developments must be placed in service by December 31 of the year the Commitment Notice was issued. Developments receiving a Carryover Allocation must be placed in service by December 31 of the second year following the year the Carryover Allocation Agreement was executed.~~

~~(2) Developments requesting IRS Forms 8609 must submit the Required Cost Certification documentation must be received by the Department no later than January 15 following the year the Credit Period begins. April 1 of the year following the date the buildings were placed in service. Any Developments issued a Commitment Notice or Determination Notice that fails to submit its Cost Certification documentation by this deadline time will be reported to the IRS and the Owner will be required to submit a request for extension consistent with §49.50.20(l) of this title.~~

~~(3) The Department will perform an initial evaluation of the Cost Certification documentation within 45 days from the date of receipt of the Cost Certification documentation and notify the Owner in a deficiency letter of all additional required documentation. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator. Once the Department has determined The Department will issue IRS Forms 8609 no later than 90 days from the date that all required documents have been received, the Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of those final documents. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator. At the time the Cost Certification documentation is provided, a title policy or 'nothing further certificate' must be provided dated on or after the date of substantial completion.~~

~~(b) Land Use Restriction Agreement (LURA). The Development Owner must request a LURA from the Department no later than the date specified in §60.1(p)(6), the Department's Compliance Monitoring Policies and Procedures. The Development Owner must date, sign and acknowledge before a notary public the LURA and send the original to the Department for execution by December 1 of the first year in which credits will be claimed. The initial compliance and monitoring fee must be 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 Tax-Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA.~~

§49.50.16. Housing Credit Allocations.

(a) In making a commitment of a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Application to determine whether a building is eligible for the credit under the Code, §42. The Development Owner shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that a Development Owner who receives a Housing Credit Allocation from the Department will qualify for the housing credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the affordability period. (2306.6711(b)) Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and as of the date each building in a Development is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department based upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any Applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Development Owner must meet specific criteria as defined by the General Appropriation Act, Article VII, Rider 8(c), Seventy-fifth Legislature. A General Contractor hired by a

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Development Owner or a Development Owner, if the Development Owner serves as General Contractor must demonstrate a history of constructing similar types of housing without the use of federal tax credits. Evidence must be submitted to the Department, in accordance with ~~§49-50.9(f)~~(4)(H) of this title, which sufficiently documents that the General Contractor has constructed some housing without the use of Housing Tax Credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Development Owner identified in the related Commitment Notice or Determination Notice. If an allocation is made to a member or Affiliate of the ownership entity proposed at the time of Application, the Department will transfer the allocation to the ownership entity as consistent with the intention of the Board when the Development was selected for an award of tax credits. Any other transfer of an allocation will be subject to review and approval by the Department consistent with ~~§49-50.17(c)~~ of this title. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete current documentation regarding the owner including documentation to show consistency with all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in ~~§49-50.20~~ of this title have been received by the Department and with respect to which all applicable requirements, terms and conditions have been met. For ~~Tax-Exempt~~Tax-Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accredited accessibility inspector to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications are received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for Housing Tax Credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification materials. A separate Housing Credit Allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings. The Department may delay the issuance of IRS Form 8609 if any Development violates the representations of the Application.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum Applicable Percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The Housing Credit Allocation made by the Department shall not exceed the amount necessary to support the extended ~~low-income~~low-income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to construction threshold criteria and Development characteristics identified at application. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent Third Party inspector acceptable to the Department. The Development Owner shall pay all fees and costs of said inspections as described in ~~§49-50.20~~ of this title. For properties receiving financing through TX-USDA-RHS, the Department shall accept the inspections performed by TX-USDA-RHS in lieu of having other Third party inspections. Details regarding the construction inspection process are set forth in the Department Rule §60.1 of this title (2306.081; General Appropriation Act, Article VII, Rider 8(b)).

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document and as further outlined in §49.50.15 of this title, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. For purposes of this title, and consistent with IRS Notice 88-116, the placed in service date for a new or existing building used as residential rental property is the date on which the building is ready and available for its specifically assigned function and more specifically when the first Unit in the building is certified as being suitable for occupancy in accordance with state and local law and as certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development; therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the ~~New~~ Construction or Rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Development Owner does not fulfill all representations and commitments made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609, may withhold issuance of the IRS Form 8609s until these representations and commitments are met, and/or may terminate the allocation, if appropriate corrective action is not taken by the Development Owner.

(i) The Board at its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability.

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. ~~The Department may also consider an amendment to a Commitment Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:~~

- ~~(1) are consistent with the Code and the Housing Tax Credit Program;~~
- ~~(2) do not occur while the Development is under consideration for tax credits;~~
- ~~(3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);~~
- ~~(4) do not involve a change in the Development's site; or~~
- ~~(5) do not involve a change in the set-aside election.~~

§49.50.17 Board Reevaluation, Appeals Process; Provision of Information or Allegations Regarding Applications; Amendments; Housing Tax Credit and Ownership Transfers; Sale of Tax Credit Properties; Withdrawals; Cancellations; Alternative Dispute Resolution.

(a) **Board Reevaluation.** (2306.6731(b)) 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 Notice or Determination Notice for the Development. For the purposes of this subsection, substantial change shall be those items identified in subsection ~~(d)(4)(c)(3)~~ of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) **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)(C)~~ 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; and

(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.

(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 day after the date the Department publishes the results of any stage of the Application evaluation process identified in §49.50.9 of this title. 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. 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 the 14th day after the date of receipt of the appeal. 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 day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made; or

(B) the third 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 and additional documentation filed with 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 final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal. (2306.6717(a)(5))

(c) Provision of Information or Allegations Regarding Applications from Unrelated Entities to the Application. The Department will address information or allegations received from unrelated entities to a 2006 Application in the following manner.

(1) Within seven days of the receipt of the information or allegation, the Department will post all information and allegations received (including any identifying information) to the Department's website.

(2) Within seven days of the receipt of the information or allegation, the Department will notify the Applicant related to the information or allegation. The Applicant will then have seven days to respond to all information and allegations provided to the Department.

(3) Within 14 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 to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant.

(d) 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 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.

(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §49-50.18 of this title shall also provide to the Board an analysis and written recommendation regarding the amendment. For amendments which require Board approval, the amendment request must be received by the Department at least 30 days prior to the Board meeting where the amendment will be considered.

~~(3) For Applications approved by the Board prior to September 1, 2001, the Executive Director will approve or deny the amendment request. For Applications approved by the Board after September 1, 2001, the Board must vote on whether to approve the 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:~~

~~(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 three percent 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 five percent;~~

~~(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.~~

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(5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the 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.

(6) This section shall be administered in a manner that is consistent with the Code, §42.

(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 web site.

(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 original Application, the following procedure will apply. For amendments that involve a reduction in the total number of ~~low-income~~low-income Units being served, or a reduction in the number of ~~low-income~~low-income Units at any level of AMGI represented at the time of Application, 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. Additionally, 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~~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 (4% or 9%) for 24 months from the time that the amendment is approved.

(de) 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 other than 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 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 Cap further described in ~~§49-50.6~~(d) of this section, the credit cap 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 years prior to the transfer request date.

(fe) Sale of Certain Tax Credit Properties. Consistent with 2306.6726, Texas Government Code, not later than two 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:

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(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;

(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 ~~§49-50.9~~(ig) of this title, 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), Internal Revenue Code of 1986 (26 U.S.C. Section 42(i)(7)), and the Department declines to purchase the Development.

(gf) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice 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.

(hg) **Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(1) The Applicant or the Development Owner, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the Applications process for the Development;

(2) ~~a~~Any statement or representation made by the Development Owner or made with respect to the Development Owner or the Development is untrue or misleading;

(3) ~~a~~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 ~~§49-50.5~~ of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or

(4) The Applicant or the Development Owner or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

(ih) **Alternative Dispute Resolution 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 2009, 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 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 anytime 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—~~(fax: 512-475-3978)~~. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title.

~~§49-50.18. Compliance Monitoring and Material Noncompliance~~**Non-Compliance.**

The Code, §42(m)(1)(B)(iii), 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 the Code, §42 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 Department Rule §60.1 of this title.

~~§49-50.19. Department Records;~~**Application Log;** IRS Filings.

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;

(2) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;

(3) the cumulative amount of Housing Credit Allocations made during such calendar year; and

(4) the remaining unused portion of the State Housing Credit Ceiling for such calendar year.

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(b) **Application Log.** (2306.6702(a)(3) and 2306.6709) The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) - (9) of this subsection.

(1) the names of the Applicant and all General Partners of the Development Owner, the owner contact name and phone number, and full contact information for all members of the Development Team;

(2) the name, physical location, and address of the Development, including the relevant Uniform State Service Region of the state;

(3) the number of Units and the amount of housing tax credits requested for allocation by the Department to the Applicant;

(4) any Set-Aside category under which the Application is filed;

(5) the requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;

(6) any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate housing tax credits to the Development;

(7) the names of individuals making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;

(8) the amount of housing tax credits allocated to the Development; and

(9) a dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes Housing Credit Allocations, the original of each completed (as to Part I) IRS Form 8609, a copy of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual ~~Low Income~~Low-income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of the Carryover Allocation Agreement will be mailed or delivered to the Development Owner by the Department in the year in which the building(s) is placed in service, and thereafter the original will be mailed to the Internal Revenue Service in the time sequence in this subsection. The original of the Carryover Allocation Document will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The original of all executed Agreement and Election Statements shall be filed by the Department with the Department's IRS Form 8610 for the year a Housing Credit Allocation is made as provided in this section. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

~~§49-50.20. Program Fees; Refunds; Public Information Requests; Adjustments~~Amendments of Fees and Notification of Fees; Extensions; Penalties.

(a) **Timely Payment of Fees.** All fees must be paid 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. (General Appropriation Act, Article VII, Rider 7; 2306.6716(d))

(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

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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. (General Appropriation Act, Article VII, Rider 7; 2306.6716(d))(~~2306.6716(d)~~)

(d) **Refunds of Pre-Application or Application Fees.** (2306.6716(c)) 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 Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute ~~20~~30% of the review, the site visit will constitute ~~45~~20% of the review, Eligibility and Selection review will constitute 20%, and Threshold and Selection review will constitute ~~25~~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 the last official action is taken with respect to the Application.

(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 ~~§49-50.9(d)(6)~~ of this title 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 Notice 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 Notice or Determination Notice shall submit to the Department, not later than the expiration date on the commitment notice, a non-refundable commitment fee equal to 5% of the annual Housing Credit Allocation amount. The commitment fee shall be paid by check.

(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 beginning month of the compliance period.

(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. Developments receiving financing through TX-USDA-RHS that will not have construction inspections performed through the Department will be exempt from the payment of an inspection fee.

(i) ~~Tax-Exempt~~**Tax-Exempt Bond Credit Increase Request Fee.** As further described in ~~§49-50.12(d)~~ of this title, requests for increases to the credit amounts to be issued on IRS Forms 8609 for ~~Tax-Exempt~~**Tax-Exempt Bond Developments** must be submitted with a request fee equal to one percent of the first year's credit amount.

(j) **Public Information Requests.** Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Department uses the guidelines promulgated by The Texas Building and Procurement Commission (formerly General Services Commission) to determines 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 Requests.** All extension requests relating to the Commitment Notice, Carryover, Documentation for 10% Test, Substantial Construction Commencement, Placed in Service or Cost Certification requirements and amendment requests shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a check in the amount of \$2,500. Such requests must be submitted to the Department no later than the date for which an extension is being requested. For extensions which require Board approval, the extension request must be received by the Department at least 15 business days prior to the Board meeting where the extension will be considered, and will not be accepted any later than this deadline date. 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 Notice 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 of \$2,500 must be received by the Department to qualify for issuance of Forms 8609. Amendment requests must be submitted consistent with §50.17(d) of this title. The Board may waive related 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 non tax-exempt bond funded 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 60 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 section 42.

§49-50.21. 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 title 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, TX 78711-3941 or for hand delivery or courier to 507 Sabine, Suite 400, 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 title 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 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 web site to provide necessary data to the Department.

§49-50.22. Waiver and Amendment of Rules.

(a) The Board, in its discretion, may waive any one or more of these Rules if the Board finds that 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 and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001.

§49-50.23. Deadlines for Allocation of Housing Tax Credits. (2306.6724)

(a) 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.

(b) The Board shall adopt and submit to the Governor the QAP not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the QAP not later than December 1 of each year. (2306.67022)(§42(m)(1))

(d) The Board shall annually adopt a manual, corresponding to the QAP, to provide information on how to apply for housing tax credits.

(e) Applications for Housing Tax Credits to be issued a Commitment Notice during the Application Round in a calendar year must be submitted to the Department not later than March 1.

2006 Draft Housing Tax Credit Program Qualified Allocation Plan and Rules

(f) 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.

(g) The Board shall approve final commitments for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan 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 Qualified Allocation Plan not later than September 30. Department staff will subsequently issue Commitment Notices 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.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Items

Request approval of the proposed 2006 Draft HOME Rules to be released for publication in the *Texas Register* and to accept public comment.

Required Action

Approve, or approve with amendments, the proposed 2006 Draft HOME Rules for publication and acceptance of public comment.

Background and Recommendations

Attached are the proposed Draft HOME Rules that reflect comments provided through a roundtable discussion open to the public on July 19, 2005, written public input, and staff's recommendations for revisions. The document reflects the proposed changes in "black line" version showing the proposed changes to the HOME Rules currently in effect which were last amended by the Board on November 14, 2004. The "black line" version shows new language as underlined and deleted language with a line running through it. Upon approval by the Board, the Draft Rules will be published in the *Texas Register* and released to the public for comment. Public hearings will be held on the proposed Draft Rules, as well as the other rules before the Board at this meeting, from approximately September 26 to October 7, 2005. A final recommendation will be presented to the Board in November 2005.

The primary changes proposed are to ensure consistency with the federal HOME Rules at 24 CFR Part 92, and provide language that is consistent with other multifamily rules to the extent that HOME will be used for multifamily development. Listed below is a summary of the more significant changes being proposed.

1. **§53.50 – Purpose (Page 1 of 23).** The title of this section is changed from "Scope" to "Purpose" to provide consistency with other Department rules and to elaborate on the basis for links to federal requirements of the HOME program.
2. **§53.51 – Definitions (Page 2 of 23).** Adds definitions for Neighborhood, New Construction, Reconstruction, and Rehabilitation. The purpose of these additions was to provide clarity when applying federal HOME requirements.
3. **§53.51(30) – Definition for Predevelopment Costs (Page 4 of 23).** Adds a definition for Predevelopment Costs to provide guidance on the Department's use of HOME funds for such activities and to be consistent with other Department rules.
4. **§53.52 – Allocation of Funds (Page 6 of 23).** Creates a new section entitled Allocation of Funds to provide greater detail relating to the federal and state statutory requirements the Department follows in allocating and awarding HOME funds. The change required all of the following sections to be renumbered.

5. **§53.53(b)(6) – Ineligible Applicants (Page 7 of 23).** This item refers the HOME ineligibility criteria to those outlined in the QAP and is revised to ensure that references to Ineligible Applicants exclude those restrictions which apply only to Applicants for Housing Tax Credits.
6. **§53.53(j) – Notifications (Page 8 of 23).** Public notification requirements are added for all Rental Development applicants to be consistent with other Department programs and state statute.
7. **§53.54(2) – Award Limitations for Development Activities (Page 9 of 23).** The maximum award limitation for housing development activities is raised to \$3 million in response to public input and staff recommendation. Additionally, the Department clarifies its right to set loan to value limitations for loans and grants under the program.
8. **§53.54(3) – Award Limitations for CHDO Operating (Page 9 of 23).** The number and amount of CHDO Operating Expense grants is clarified and limited to one grant per organization per fiscal year. The Department’s right to deny an award of CHDO Operating funds is clarified.
9. **§53.55(c) – Limitation of Rental Housing Developments (Page 10 of 23).** The refinancing or use of HOME funds for properties constructed within five years of the submission of an Application for assistance is made impermissible for Rental Development applicants. This ensures consistency with the Department’s Consolidated Plan and federal HOME regulations for environmental reviews.
10. **§53.56 – Prohibited Activities (Page 10 of 23).** This section is deleted and replaced with updated language that tracks with the federal final HOME rules released earlier this year.
11. **§53.57 – Allocation Plan (Page 13 of 23).** This section, previously numbered §53.57, is deleted.
12. **§53.58(b) – Open Application Cycle Process (Page 13 of 23).** The number of days required of applicants to respond to application deficiencies is reduced from ten days to seven days for consistency with other Department rules.
13. **§53.59(c) – Selection Procedures for Development (Page 16 of 23).** The process of awarding Housing Development applications is revised to allow the Notice of Funding Availability (NOFA) and program guidelines to govern the process of review, evaluation and award.
14. **§53.62(a) – CHDO Definitions (Page 18 of 23).** In the CHDO Definition section, the definition for Neighborhood has been moved to the Definitions section for the rule (§53.51) and the definition for a Nonprofit Organization has been deleted as a definition for a Nonprofit Organizations already exists in §53.51.

Additional modifications are made to align the proposed rules with either federal or state legislative language and include statutory citations.

Summary of 2006 HOME Rule Roundtable

The 2005 HOME Roundtable, held on July 19, 2005, was attended by more than thirty participants representing for-profit and nonprofit developers, as well as consultants, advocates, and market analysts. Here is a brief summary of the more significant comments that were provided to us by participants relating to the HOME Rules.

- Consider looking at the definition of Persons with Disabilities. The definition is taken from federal regulations, however it may be necessary to update it and make it complementary to the state definition of persons with disabilities.
- Consider looking at and clarifying definition of Rural. The definition excludes many communities that are not served by United State Department of Agriculture (USDA) and have no other source of federal funding available to them.
- The Department has targeted funds to very small communities (5,000 to 10,000), while communities over 25,000 (that are not USDA served) are excluded from funding rounds in Single Family. Changing scoring and Affordable Housing Needs scores for non-rural and non-metropolitan communities would be helpful.
- The \$1.5 million cap limits the Community Housing Development Organization's (CHDO) Development program. Developments that require 100% HOME financing can not effectively create affordable rental housing with such a low cap.
- HOME funds will be more accepted by the local community because the developers are likely locally based, where as Housing Tax Credit developers are limited because they are outsiders.
- Support for the use of State HOME funds in Participating Jurisdictions.
- Clarify the use of Special Needs programs under Distribution of Funds. The section does not provide sufficient guidance on what activities are eligible or how funding will be made available.
- Permit the use of Life Estates in Owner Occupied Rehabilitation (OCC). Reverse Mortgages and other financial structures are becoming more acceptable and the development of land trusts has gained ground in certain communities.
- Repayment of OCC loans should be based on income and ability to repay.
- The Department should limit predatory lending.
- There were comments on the use of previous experience as a measure for predevelopment awards. Organizations that can not show a minimal experience level might use collateral instead of experience.
- Tighten up the predevelopment application process to streamline the review and more closely link the program to the requirements. Community support for predevelopment loans should also be an evaluation factor.
- The level of subsidy per unit in Homebuyer Assistance (HBA). Twenty Five Thousand dollars was suggested. New construction is the key limitation on this program. Rehabilitation and reconstruction should be considered as an eligible activity for HBA programs.

It should be noted that most of the suggestions, if allowable, would not require revision to the rule to implement, but would only require adjustments to the State Low Income Housing Plan or the HOME Program's Annual Funding Plan.



2006 Draft HOME Investment Partnership Program (HOME) Rule
Title 10, Part 1, Chapter 53 Texas Administrative Code

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§53.50. ~~Scope~~ Purpose

This Chapter clarifies the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (Department) by the United States Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 United States Code §§12701-12839) and HUD regulations at 24 Code of Federal Regulations (CFR) Part 92. The State's HOME Program is designed to:

(1) focus on the areas with the greatest housing need described in the State Consolidated Plan;

(2) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, reconstruction, tenant-based rental assistance, and pre-development loans;

(3) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and

(4) provide low, very low, and extremely low income Texans with affordable, decent, safe and sanitary housing.

~~The rules in this chapter apply to the use and distribution of HOME Investment Partnerships Program (HOME) funds. The United States Department of Housing and Urban Development (HUD) provides HOME funds to the State pursuant to Title II of the Cranston Gonzalez National Affordable Housing Act of 1990 (42 United States Code §§12701-12839) and HUD regulations at 24 Code of Federal Regulations (CFR) Part 92. The State's HOME Program is designed to:~~

~~(1) expend at least 95% of the funds received for the benefit of non-participating small cities and rural areas that do not receive HOME funds directly from HUD;~~

~~(2) focus on the areas with the greatest housing need described in the State Consolidated Plan;~~

~~(3) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, reconstruction, tenant-based rental assistance, and pre-development loans;~~

~~(4) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and~~

~~(5) provide low, very low, and extremely low income Texans with affordable, decent, safe and sanitary housing.~~

§53.51. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Activity--A form of assistance by which HOME funds are used to provide incentives to develop and support affordable housing and homeownership through acquisition, new construction, reconstruction, and rehabilitation of housing.

(2) Administrative Deficiencies--The absence of information or a document from the application ~~which is important to a review and scoring of the application~~ as required in this rule.

(3) Applicant--An eligible entity which is preparing to submit or has submitted an application for HOME funds and is designated in the application to assume contractual liability and legal responsibility as the Recipient executing the written agreement with the Department.

(4) Board--The governing board of the Texas Department of Housing and Community Affairs.

(5) CFR--Code of Federal Regulations.

(6) Colonia--A geographic area located in a county some part of which is within 150 miles of the international border of this state 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, Water Code; or

(B) Has the physical and economic characteristics of a Colonia, as determined by the Texas Water Development Board.

(7) Community Housing Development Organization (CHDO)--A private nonprofit organization that satisfies the requirements of 24 CFR 92.2 and is certified as such by the Department.

(8) Community Housing Development Organization Pre-Development Loan--A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR 92.301.

(9) Competitive Application Cycle--A Notice of Funding Availability that has a fixed deadline by which applications must be submitted. A defined period during which applications may be submitted according to a published Notice of Funding Availability (NOFA). Applications will be

reviewed for ~~threshold and scoring criteria~~ in accordance with the rules for application review published in the NOFA, and application guidelines.

(10) Consolidated Plan--The State Consolidated Plan prepared in accordance with 24 CFR Part 91, which describes the needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs and is subject to approval annually by HUD.

(11) Demonstration Fund--A reserve fund for use alone or in combination and coordination with other programs administered by the Department. This Fund will be available for out of cycle applications, innovative programs brought to the Department for consideration and emergency programs. Additionally, this fund may be used with other programs administered by the Department as outlined in the Consolidated Plan, as approved by the Board.

(12) Department--The Texas Department of Housing and Community Affairs.

(13) Development--Projects that have a construction component, either in the form of new construction or the rehabilitation of multi-unit or single family residential housing that meet the affordability requirements.

(14) Expenditure--Approved expense evidenced by documentation submitted by the Recipient to the Department for purposes of drawing funds from HUD's Integrated Disbursement and Information System (IDIS) for work completed, inspected and certified as complete, and as otherwise required by the Department.

(15) Family--Includes but is not limited to the following types of families as defined in 24 CFR 5.403:

- (A) A family with or without children;
- (B) An elderly family;
- (C) A near elderly family;
- (D) A disabled family;
- (E) A displaced family;
- (F) The remaining member of a tenant family; ~~and/or~~

(G) A single person who is not an elderly or displaced person or a person with disabilities or the remaining member of a tenant family.

(16) Homebuyer Assistance--Down payment, closing costs, and gap financing assistance provided to eligible homebuyers. Minor rehabilitation may be combined with Homebuyer Assistance.

(17) HOME--The HOME Investment Partnerships Program at 42 United States Code §§12701-12839 and the regulations promulgated thereafter at 24 CFR Part 92.

(18) Household--One or more persons occupying a housing unit.

(19) HUD--The United States Department of Housing and Urban Development, or its successor.

(20) IDIS--Integrated Disbursement and Information System established by HUD.

(21) Income Eligible Families:

(A) Low-Income Families--Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(B) Very Low-Income Families--Families whose annual incomes do not exceed 50% of the median family income for the area, as determined by HUD and published by the Department, with adjustments for family size.

(C) Extremely Low Income Families--Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(22) Match--Eligible forms of non-federal contributions to a program or project in the forms specified in 24 CFR 92.220.

(23) Neighborhood--As defined by HUD, a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

(24) New construction--Any Development not meeting the definition of Rehabilitation or Reconstruction.

~~(23)~~(25) NOFA--Notice of Funding Availability, published in the *Texas Register*.

~~(24)~~(26) Nonprofit organization--A public or private organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; ~~and~~

(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application for 501(c) (3) or (c) (4) status cannot be used to comply with the tax status requirement.

~~(25)~~(27) Open Application Cycle--A defined period during which applications may be submitted according to a published NOFA and which will be reviewed on a first come-first served basis until all funds available are committed, or until the NOFA is closed. A Notice of Funding Availability that does not have a fixed deadline by which applications must be submitted. Applications will be reviewed in accordance with the rules for application review published in the NOFA, and/or application guidelines.

~~(26)~~(28) Owner-Occupied Housing Assistance--A form of assistance for the purpose of rehabilitating or reconstructing existing owner-occupied housing.

~~(27)~~(29) Participating Jurisdiction (PJ)--Any state or unit of general local government, including consortia as specified in 24 CFR 92.101, designated by HUD in accordance with 24 CFR 92.105.

(30) Predevelopment Costs--Reimbursable costs related to a specific eligible housing project including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees;

(C) Predevelopment costs do not include general operational or administrative costs.

~~(28)~~(31) Program--Funds provided in the form of a contract to an eligible Applicant for the purpose of administering more than one Project or assisting more than one household.

~~(29)~~(32) Program Income--Gross income received by the Department or program administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR 92.2.

~~(30)~~(33) Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under 24 CFR 92.2.

~~(31)~~(34) Recipient--A successful applicant that has been awarded funds by the Department to administer a HOME program, including a State Recipient, Subrecipient, for-profit entity, nonprofit entity, or CHDO.

(35) Reconstruction--The rebuilding of a structure on the same lot where housing is standing at the time of Development Application. HOME funds may be used to build a new foundation or repair an existing foundation. During reconstruction, the number of rooms per unit may change, but the number of units may not.

(36) Rehabilitation--Includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure, but adding a housing unit is considered new construction.

~~(32)~~(37) Rental Housing Development--A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

~~(33)~~(38) Rural Area Development--A project Development located within an area which:

(A) is situated outside the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA);

(B) within the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA), if the statistical area has a population of 20,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for new construction or rehabilitation funding by the Texas-United States Department of Agriculture-Rural Housing Service (TX-USDA-RHS).

~~(34)~~(39) Single Family Housing Development--A form of assistance to make funds available to HOME eligible Applicants including non-profit organizations, CHDOs, units of general local government, for-profit housing organizations, sole proprietors and public housing agencies for the purpose of constructing single family affordable housing units for homeownership.

~~(35)~~(40) Special Needs--Those individuals or categories of individuals determined by the Department to have unmet housing needs consistent with 42 USC §12701 et seq. and as provided in the Consolidated Plan.

~~(36)~~(41) State Recipient--A unit of general local government designated by the Department to receive HOME funds.

~~(37)~~(42) Subrecipient--A public agency or nonprofit organization selected by the Department to administer all or a portion of the Department's HOME program. A public agency or nonprofit that receives HOME funds solely as a developer or owner of housing is not a Subrecipient. The Department's selection of a Subrecipient is not subject to the procurement procedures and requirements.

~~(38)~~(43) Tenant-Based Rental Assistance (TBRA)--A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance also includes security deposits and utility deposits for rental of dwelling units.

~~(39)~~(44) Unit of General Local Government--A city, town, county, or other general purpose political subdivision of the State; a consortium of such subdivisions recognized by HUD in accordance with 24 CFR 92.101 and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction. An urban county is considered a unit of general local government under the HOME Program.

§53.52 Allocation of Funds

(a) The Department shall administer all federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12704 et seq.) in accordance with HUD's final HOME rule, 24 CFR Part 92 and Chapter 2306, Texas Government Code. Consistent with the federal HOME rule and the Department annual Consolidated Plan. The HOME program shall:

(1) adopt a goal to apply an aggregate minimum of 25 percent of the division's total housing funds toward housing assistance for individuals and families of extremely low and very low income, pursuant to §2306.111(a) of the Texas Government Code;

(2) expend at least 95 percent of these funds for the benefit of non-participating areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. All funds not set aside under this subsection shall be used for the benefit of persons with disabilities who live in areas other than non-participating areas, pursuant to §2306.111(c) of the Texas Government Code; and

(3) Allocate funds to all urban/exurban areas and rural areas of each uniform state service region consistent with the Department's Regional Allocation Plan, unless funds are reserved for contract-for-deed conversions or for set-asides mandated by state or federal law, or each contract-for-deed allocation or set-aside allocation equals not more than 10 percent of the total allocation of funds for the program year, pursuant to §2306.111(d) of the Texas Government Code.

(b)The Department shall release an annual allocation plan based on the funding allocation outlined in the Department's Consolidated Plan, and consistent with the Chapter 2306 of the Texas Government Code, after a full accounting of available funds has been determined.

~~§53.52-§53.53~~ §53.53 -Applicant Requirements.

(a) Eligible Applicants. The following organizations or entities are eligible to apply for HOME eligible activities:

- (1) nonprofit organizations;
- (2) CHDOs;
- (3) units of general local government;
- (4) for-profit entities and sole proprietors; and
- (5) public housing agencies.

(b) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) ~~P~~Previously funded Recipient(s) whose HOME funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) ~~a~~Applicants who have not satisfied all eligibility requirements described in subsection (f) of this section and the NOFA, and application guidelines to which they are responding, and for which Administrative Deficiencies were unresolved (relating to Applicant Requirements);

(3) ~~a~~Applicants that have failed to make payment on any loans or fee commitments made with the Department;

(4) ~~a~~Applicants that have been otherwise barred by HUD and/or the Department;

(5) ~~a~~Applicant or developer, or their staff, that violate the state's revolving door policy; ~~and~~
or

(6) ~~a~~Applicants that may be ineligible in accordance with those requirements at ~~§49.5~~§50.5 of this title, excluding those requirements at §§50.5(a)(5) - (8), (10) and (11) of this Title.

(c) Communication with Department Employees. Communication with Department staff by Applicants that submit a Pre-Application or Application must follow the following requirements. During the period beginning on the date a Development Pre-Application or Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, the Applicant or a Related Party, and any Person that 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 individual employed as a lobbyist by the Applicant or a Related Party, may communicate with an employee of the Department about the Application orally or in written form, which includes electronic communications through the Internet, so long as that communication satisfies the conditions established under paragraphs (1) through (3) of this subsection. ~~§49.5~~§50.5(b)(7) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(1) ~~The~~the communication must be restricted to technical or administrative matters directly affecting the Application;

(2) ~~The~~the communication must occur or be received on the premises of the Department during established business hours; and

(3) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and,

if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication- (§2306.1113).

(d) Noncompliance. Each application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(e) Rental Housing Development Site and Development Restrictions. Restrictions include all those items referred to in ~~§49.6 of this title~~, 24 CFR Part 92 of the HUD HOME program rules, and any additional items included in the NOFA for rental housing developments.

(f) Limitations on the Size of Developments. Developments involving new construction will be limited to 252 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units ~~under all Development programs~~.

(g) Eligibility requirements. An Applicant must satisfy each of the following requirements in order to be eligible to apply for HOME funding and as more fully described in the NOFA and application guidelines, when applicable:

(1) provide evidence of its ability to carry out the Program in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing developments;

(2) demonstrate fiscal, programmatic, and contractual compliance on previously awarded Department contracts or loan agreements;

(3) resolve any previous audit findings, unless deemed irresolvable by the Department, and/or outstanding monetary obligations with the Department;

(4) demonstrate reasonable HOME Program expenditure and project performance on contract(s), as determined through program monitoring; and

(5) demonstrate satisfactory performance otherwise required by the Department and set out in the application guidelines.

(h) If indicated by the Department, Recipients must comply with all requirements to utilize the Department's website to provide necessary data to the Department.

(i) For funds being used for Rental Housing Developments, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in §1.37 of this title.

(j) Public Notification. Applicants for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose its "received by date" under open application cycles, or be terminated under competitive application cycles. Applicants must provide notifications to:

(1) the executive officer and elected members of the governing board of the community where the development will be located. This includes municipal governing boards, city councils, and County governing boards;

(2) all neighborhood organizations whose defined boundaries include the location of the Development;

(3) executive officer and Board President of the school district that covers the location of the Development;

(4) residents of occupied housing units that may be rehabilitated, reconstructed or demolished; and

(5) the State Representative and State Senator whose district covers the location of the Development.

(6) The notification letter must include, but not be limited to, the address of the development site, the number of units to be built or rehabilitated, the proposed rent and income levels to be served, and all other details required of the NOFA and Application Manual.

~~§53.53.~~ §53.54. Application Limitations.

An eligible Applicant may apply for several eligible activities provided that the total amount requested does not exceed the funding limits established in this section. The Department reserves the right to reduce the amount requested in an application based on program or project feasibility, underwriting analysis, or availability of funds:

(1) Award amount for Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance shall not exceed \$500,000 per Activity, per NOFA, except as may be otherwise allowed by the Board.

(2) Award amount for Development activities shall not exceed ~~\$1.5~~\$3 million, except as may be recommended by staff and otherwise approved by the Board. The Department reserves the right to set maximum loan to value limitations and minimum match requirements on all Development activities.

(3) Award amount for CHDO Operating Expenses shall not exceed in any fiscal year 50% of the CHDO's total annual operating expenses in that fiscal year, or \$50,000, whichever is greater. The Department reserves the right to limit an Applicant to receiving no more than one award of CHDO operating funds during the same fiscal year and to further limit the award of CHDO Operating Expenses.

(4) Per unit subsidy for all HOME-assisted housing may not exceed the per-unit dollar limits established by HUD under §221(d)(3) of the National Housing Act which are applicable to the area in which the housing is located, and published by the Department.

(5) Award amount for Disaster Relief shall not exceed \$500,000 per State declared disaster, or as may be otherwise allowed by the Board. Only one application per affected unit of general local government may be submitted for each designated disaster. Public housing authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the unit of local government, if they are so designated by the affected unit of general local government. Award amount for designated Applicants may not exceed \$500,000 per State declared disaster, or as may be otherwise allowed by the Board.

(6) Award amount for CHDO Predevelopment Loans may not exceed \$50,000 per application. Applicants may submit only one application per NOFA to cover eligible costs, as defined under §53.54(f) of this title.

~~§53.54.~~ §53.55. Program Activities. All eligible applicants that satisfy the requirements of §53.52 may apply for the following Program Activities:

(a) Owner-Occupied Housing Assistance: Assisted homeowners must be income eligible and must occupy the property as their principal residence. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is reconstructed or rehabilitated with HOME funds must meet all applicable local codes,

rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(b) Homebuyer Assistance: HOME funds utilized for Homebuyer Assistance are subject to the Department's recapture provisions as approved by HUD in the Consolidated Plan and as outlined in the application guidelines. The eligible uses for Homebuyer Assistance are down-payment assistance, closing cost assistance, ~~and gap financing, and in some instances, rehabilitation.~~ The total assistance provided per eligible homebuyer may not exceed the limits as determined or allowed by the Board or the HOME Final Rule.

(c) Rental Housing Development: ~~All eligible applicants that satisfy the requirements of §53.52 of this title may develop affordable rental housing.~~ Eligible Activities include acquisition, new construction, and rehabilitation. Refinancing or use of HOME funds for properties constructed within five years of the submission of an Application for assistance will not be permissible. Owners of rental units assisted with HOME funds must comply with income and rent restrictions pursuant to 24 CFR 92.252 and keep the units affordable for a period of time, depending upon the amount of HOME assistance provided. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(d) Tenant-Based Rental Assistance: Provides rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant Based Rental Assistance also includes security and utility deposits for rental of dwelling units. Recipients must comply with 24 CFR 92.209 and 92.216.

(e) Single Family Housing Development: Newly constructed housing must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a). If eligible, an Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(f) CHDO Pre-Development Loans: The Department may set-aside up to 10% of the annual CHDO 15% Set-Aside for pre-development loans in accordance with 24 CFR 92.300(c). Applicants for pre-development loans will be required to have a summary description of a proposed Development and be able to show the necessary development experience to apply, as outlined in the NOFA and application guidelines or application materials. Predevelopment loan funds may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Pre-development loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, the Board may elect to waive pre-development loan repayment, in whole or in part, if there are impediments to a project development that the Department determines are reasonably beyond the control of the CHDO.

(g) Set-Asides: other activities deemed eligible under set-asides defined by the Department and outlined in the Consolidated Plan.

~~§53.55.~~ §53.56. **Prohibited Activities.**

In accordance with 24 CFR 92.214, HOME funds may not be used to:

(1) Provide project reserve accounts, except as provided in §92.206(d)(5), or operating subsidies;

(2) Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with Section 212(d) of the Act;

(3) Provide non-federal matching contributions required under any other Federal program;

(4) Provide assistance authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds);

(5) Provide assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR 248.101;

(6) Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the participating jurisdiction in the written agreement under §92.504. However, additional HOME funds may be committed to a project up to one year after project completion (see §92.502), but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount established under §92.250;

(7) Pay for the acquisition of property owned by the participating jurisdiction, except for property acquired by the participating jurisdiction with HOME funds, or property acquired in anticipation of carrying out a HOME project;

(8) Pay delinquent taxes, fees or charges on properties to be assisted with HOME funds; or

(9) Pay for any cost that is not eligible under 24 CFR §§92.206 through 92.209.

~~(1) provide a project reserve account for replacements or increases in operating costs, or operating subsidies;~~

~~(2) provide TBRA for existing Section 8 Programs;~~

~~(3) provide non-federal matching contributions for other programs;~~

~~(4) provide assistance to Public Housing Agency-owned or leased projects;~~

~~(5) carry out Public Housing Modernization;~~

~~(6) provide pre-payment of low income housing mortgages under 24 CFR Part 248;~~

~~(7) provide assistance to a project previously assisted with HOME funds during the period of affordability;~~

~~(8) provide funds to reimburse an Applicant for acquisition costs for a property already owned by the Applicant, and~~

~~(9) pay for any cost that is not eligible under 24 CFR 92.206-92.209.~~

~~(10) pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.~~

~~§53.56.~~ §53.57. Distribution of Funds.

In accordance with 24 CFR 92.201(b)(1), the Department makes every effort to distribute HOME funds throughout the state according to the Department's assessment of the geographic distribution of housing needs, as identified in the Consolidated Plan. Funds shall also be allocated in accordance with §2306.111(d) and (g), Texas Government Code. The Department receives HOME funds for areas of the state which have not received Participating Jurisdiction (PJ) status from HUD. §2306.111(c) of the Texas Government Code requires the Department to award at least 95% of HOME Program funds to entities in nonparticipating jurisdictions. All funds not set aside under this section shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas.

(1) CHDO Set-Aside. In accordance with 24 CFR 92.300, not less than 15% of the HOME allocation will be set aside by the Department for CHDO eligible activities. 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 an insufficient number of qualified applications are received by the deadline, the Department reserves the right to hold additional competitions in order to meet federal set-aside requirements.

(2) Special Needs: In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), with a documented history of working with special needs populations and with relevant housing related experience. Applicants may submit applications for eligible activities, as outlined in the Consolidated Plan: Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance. If an insufficient number of qualified applications are received, the Department reserves the right to transfer funds remaining in accordance with paragraph (6) of this subsection regarding Redistribution.

(3) Other Set-Asides. In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), for those eligible activities outlined under Set-Asides.

(4) Administrative Funds. In accordance with 24 CFR 92.207 up to 10% of the Department's HOME allocation plus 10% of any program income received may be used for eligible and reasonable planning and administrative costs. Administrative and planning costs may be incurred by the Department, State Recipient, Subrecipient, nonprofit entity, or CHDO.

(5) CHDO Operating Expenses. In accordance with 24 CFR 92.208 up to 5% of the Department's HOME allocation may be used for the operating expenses of CHDOs. The Department may award CHDO Operating Expenses in conjunction with the award of CHDO Funds, or through a separate application cycle not tied to a specific Activity.

(6) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds set-aside in accordance with the Consolidated Plan, at its own discretion, to other regions or activities if:

(A) the Department fails to receive a sufficient number of applications from a particular region or Activity;

(B) no applications are submitted for a region; or

(C) applications for a region or Activity do not meet eligibility requirements or minimum threshold scores (when applicable), or are financially infeasible as applicable.

(7) Marginal Applications. When the remainder of the allocation within a region is insufficient to completely fund the next ranked application in the region or Activity, it is within the discretion of the Department to:

(A) fund the next ranked application for the partial amount, reducing the scope of the application proportionally;

(B) make necessary adjustments to fully fund the application; or

(C) transfer the remaining funds to other regions or activities.

(8) HOME Demonstration Fund. The Department, with Board approval, may reserve HOME funds to combine and coordinate with other programs administered by the Department as outlined in the Consolidated Plan, or for housing activities the Department is permitted to fund under applicable law.

~~§53.57. Allocation Plan.~~

~~The allocation plan created by the Department will be based on the funding allocation outlined in the Department's Consolidated Plan, after a full accounting of available funds has been determined.~~

§53.58. Application Process.

(a) An Applicant must submit a completed application to be considered for funding, along with an application fee determined by the Department and outlined in the NOFA, and application guidelines. Applications containing false information and applications not received by the deadline will be disqualified. Disqualified Applicants are notified in writing. All applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, and application guidelines, regardless of method of delivery.

(b) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner-:

(1) The Department will accept applications on an ongoing basis, until such date when the Department makes notice to the public that the Open Application Cycle has been closed. All applications must be received during business hours (8:00 a.m. to 5:00 p.m.) on any business day. The Department may limit the eligibility of applications in the NOFA, and application guidelines.

(2) Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review.

(A) Phase One will begin as of the received date. Applications not being considered under the CHDO Set-Aside will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications with deficiencies not cured within ~~ten~~seven business days, will be retained in Phase One until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 50 days of the received date will be terminated and must reapply for consideration of funds.

(B) Phase Two will include a review of all application requirements. The Department will ensure review of materials required under the NOFA, and application guidelines and will issue notice of any deficiencies as to threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications with deficiencies not cured within ~~ten~~seven business days, will be retained in Phase Two until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies, and of threshold and eligibility requirements will the Application be forwarded to Phase Three. An Application that has not proceeded out of Phase Two within 65 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds. Application submitted for non-development Activities will not go through a Phase Three evaluation.

(C) Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within ~~ten~~seven business days, will be retained in Phase Three until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to the Department's Executive Awards Review and Advisory Committee for ~~final approval before~~ recommendation to the Board. Any application that has not finished Phase Three within 65 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.

(D) Upon completion of the applicable final review Phase, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as HOME funds are still available for this Activity under the applicable NOFA. If the Application is recommended at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If the Application is recommended with less than 14 days before the next Board meeting, the recommendation will be placed on the subsequent month's Board meeting agenda. Applications which are not recommended by the committee will be either returned to Department Staff or terminated.

(E) Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an application has completed all phases of its review. In the case that all HOME funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new HOME funds become available, applications will continue onward with their review without losing their received date priority. If HOME funds do not become available within 90 days of the notification, the Applicant will be notified that their application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds exist under the NOFA and the application will not be processed.

(F) The Department may decline to fund any application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any application.

(c) 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 including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. Administrative Deficiencies given to Applications submitted under an Open Application Cycle NOFA will be handled in the manner described under Part B of this Section. Applications submitted under a Competitive Application Cycle NOFA will be treated in the following manner. If Administrative Deficiencies are not cured to the satisfaction of the

Department within five business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within seven business days from the deficiency notice date, 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 an application in any manner after the filing deadline, except in response to a direct request from the Department.

(d) Alternative Dispute Resolution Policy. ~~Alternative Dispute Resolution 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 2009, and 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 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 anytime 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 (~~fax: (512) 475-3978~~). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.

§53.5960. Process for Awards.

(a) The Department will publish a NOFA in the *Texas Register* and on the Department's website. The NOFA may be published as either an Open or Competitive Application Cycle. The NOFA will establish and define the terms and conditions for the submission of applications, and may set a deadline for receiving applications under a Competitive Application Cycle. The NOFA will also indicate the approximate amount of available funds.

(b) Selection Procedures for non-development Activities such as, Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92 and in these rules. Applications that do not comply with such requirements are disqualified. Disqualified Applicants are notified in writing.

(2) Applications are ranked from highest scores to lowest in their respective regions or Activity according to HOME Program scores. All funds not subject to the Regional Allocation Formula may be awarded on a first-come, first-serve basis.

(3) Applications must meet or exceed a minimum score determined by Department's staff for the respective activities to be considered for funding.

(4) In event of a tie between two or more Applicants, the Department reserves the right to determine which application will receive a recommendation for funding. This decision will be based on housing need factors and feasibility of the proposed project identified in the application. Tied Applicants may also receive a recommendation for partial funding.

(5) Applicants will be notified of their score in writing no later than seven calendar days after all applications received have been scored. Subsequently, the recommendation regarding their application will be made available on the Department's website at least seven calendar days prior to the Board meeting at which the awards may be approved.

(6) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for each Activity.

(7) Applicants may appeal staff's decision regarding their applications in accordance with §1.7 of this title.

(c) Selection Procedures for Development activities, such as, Single Family Housing Development and Rental Housing Development.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92, and in these rules. Applications that do not comply with HOME requirements are disqualified. Disqualified Applicants are notified in writing.

(2) ~~Rental-Housing Developments activities will undergo a review in accordance with the rules §53.58 of this title governing open and competitive application cycles, as appropriate, set out previously in this section and as prescribed in the NOFA, and application guidelines.~~

(3) Single Family Housing Developments will undergo a review as follows:

~~(A) Applicants that meet or exceed a minimum score, as determined by Department's staff, of the total HOME Program scoring points established for each Development Activity to be considered for funding. Applicants not meeting or exceeding the minimum score established in the subparagraph of this paragraph are disqualified and are notified in writing. Development applications are ranked from highest to lowest scores according to HOME Program scores on a statewide basis.~~

~~(B) Applications meeting the HOME Program requirements established in subparagraph (A) of this paragraph must receive an underwriting analysis by the Department.~~

(4) A site visit will be conducted as part of the HOME Program Development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HOME funding by the Board.

(5) In event of a tie between two or more Applicants, the Department reserves the right to determine which application will receive a recommendation for funding. This decision will be based on housing need factors and feasibility of the proposed project identified in the application. Tied Applicants may also receive a partial recommendation for funding.

(6) Each Development application will be notified of its score in writing no later than seven calendar days after all applications received have been scored. Subsequently, the recommendation regarding their application will be made available on the Department's web site at least seven calendar days prior to the Board meeting at which the awards may be approved.

(7) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for such Activity.

(8) Even after Board approval for the award of HOME Development Activity funds may be conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

(9) Applicants may appeal staff's decision regarding their applications in accordance with §1.7 of this title.

§53.6064. General Selection Criteria.

At a minimum, the following criteria are utilized in evaluating the applications for HOME funds. The applicable criteria are further delineated in the application guidelines and NOFA, which are part of the application package.

(1) Needs Assessment--Whether the proposed project meets the demographic, economic, and special need characteristics of the population residing in the target area and the need that the HOME program is designed to address, using qualitative and quantitative information, market

studies, if appropriate, and other source documentation as delineated in the application guidelines, which are part of the application.

(2) Program Design--Whether the proposed project meets the needs identified in the needs assessment, whether the design is complete and whether the project fits within the community setting. Information required includes, but is not limited to: community involvement; support services and resources; scope of program; income and population targeting; marketing, fair housing and relocation plans, as applicable.

(3) Capability of Applicant--Whether the Applicant has the capacity to administer and manage the proposed program/project, demonstrated through previous experience either by the Applicant, cooperating entity or key staff (including other contracted service providers), in program management, property management, acquisition, rehabilitation, construction, real estate finance counseling and training or other activities relevant to the proposed program, and the extent to which Applicant has the capability to manage financial resources, as evidenced by previous experience, documentation of the Applicant or key staff, and existing financial control procedures.

(4) Financial Feasibility. Applications for funding will be reviewed for financial feasibility based on the Department's underwriting standards for development activities and as outlined in the NOFA and application guidelines ~~or application materials for non-development activities~~. The review will be based on the supporting financial data provided by Applicants and third party reports submitted with the application.

§53.6162. Program Administration.

(a) Agreement. Upon approval by the Board, Applicants receiving HOME funds shall enter into, execute, and deliver to the Department all written agreements between the Department and Recipient, including land use restriction agreements and compliance agreements as required by the Department.

(b) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any HOME written agreement provided that:

(1) in the case of a modification or amendment to the dollar amount of the award, such modification or amendment does not increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater; and

(2) in the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department as a result of the award.

(3) Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

(c) Deobligation.

(1) The Department reserves the right to deobligate funds in the following situations:

(A) Recipient has any unresolved compliance issues on existing or prior contracts with the Department;

(B) Recipient fails to set-up programs/projects or expend funds in a timely manner;

(C) Recipient defaults on any agreement by and between Recipient and the Department.

(D) Recipient misrepresents any facts to the Department during the HOME application process, award of contracts, or administration of any HOME contract;~~;~~

(E) Recipient's inability to provide adequate financial support to administer the HOME contract or withdrawal of significant financial support;~~;~~

(F) Recipient is not in compliance with 24 CFR Part 92, or these rules;~~;~~

(G) Recipient declines funds; ~~or;~~

(H) Recipient fails to expend all funds awarded.

(2) The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

(A) Successful appeals (as allowable under program rules and regulations);~~;~~ ~~or;~~

(B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety);~~;~~ ~~or;~~

(C) Special Needs;~~;~~ ~~or;~~

(D) Colonias;~~;~~ or

(E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

(d) Waiver. The Board, in its discretion and within the limits of federal and state law, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for good cause, as determined by the Board.

(e) Additional Funds. In the event the Department receives additional funds from HUD, the Department, with Board approval, may elect to distribute funds to other Recipients.

(f) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

§53.623. Community Housing Development Organization (CHDO) Certification.

(a) Definitions and Terms. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Applicant--A private nonprofit organization that has submitted a request for certification as a Community Housing Development Organization (CHDO) to the Department. An Applicant for the CHDO set aside must be a CHDO certified by the Department or as otherwise certified or designated as described in subsection (d) of this section.

(2) Articles of Incorporation--A document that sets forth the basic terms of a corporation's existence and is the official recognition of the corporation's existence. The documents must evidence that they have been filed with the Secretary of State.

(3) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the articles of incorporation. Bylaws and amendments to bylaws must be formally adopted in the manner prescribed by the organization's articles or current bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend bylaws.

(4) Community--For urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area, but not the whole state.

(5) Low income--An annual income that does not exceed eighty percent (80%) of the median income for the area, with adjustments for family size, as defined by the U.S. Department of Housing and Urban Development (HUD).

(6) Memorandum of Understanding (MOU)--A written statement detailing the understanding between parties.

~~(7) Neighborhood--A geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.~~

~~(8) Nonprofit organization--Any private, nonprofit organization (including a State or locally chartered, nonprofit organization) that:~~

~~(A) is organized under State or local laws,~~

~~(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual,~~

~~(C) complies with standards of financial accountability acceptable to the Secretary of the United States Department of Housing and Urban Development, and~~

~~(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low income and moderate income persons.~~

(9) Resolutions--Formal action by a corporate board of directors or other corporate body authorizing a particular act, transaction, or appointment. Resolutions must be in writing and state the specific action that was approved and adopted, the date the action was approved and adopted, and the signature of person or persons authorized to sign resolutions. Resolutions must be approved and adopted in accordance with the corporate bylaws.

(b) Application Procedures for Certification of CHDO. An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO application must be submitted with an application for HOME funding under the CHDO set-aside, and be recertified on an annual basis. The application must include documentation evidencing the requirements of this subsection.

(1) Applicant must have the following required legal status at the time of application to apply for certification as a CHDO:

(A) Organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(i) Charter; or

(ii) Articles of Incorporation.

(B) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(C) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(i) Charter; or

(ii) Articles of Incorporation.

(D) The Applicant must have the following tax status:

(i) A current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective while certified as a CHDO; or

(ii) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(iii) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement under this subparagraph.

(E) The Applicant must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(i) Articles of Incorporation,

(ii) Charter;

(iii) Resolutions; or

(iv) Bylaws.

(F) The Applicant must have a clearly defined service area. The Applicant may include as its service area an entire community as defined in subsection (a)(4) of this section, but not the whole state. Private nonprofit organizations serving special populations must also define the geographic boundaries of its service areas. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

(2) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR 84.21, "Standards of Financial Management Systems" as evidenced by:

(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department₇;

(ii) certification from a Certified Public Accountant₇ or

(iii) HUD approved audit summary.

(B) Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds₇ or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the community within which housing to be assisted with HOME funds is to be located as evidenced by:

(i) statement that documents at least one year of experience in serving the community₇ or

(ii) for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community; and

(iii) The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization.

(3) An Applicant must have the following organizational structure:

(A) The Applicant must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in clause (ii) of this subparagraph. For the purpose of this subparagraph, elected representatives of low-income neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this subparagraph shall be evidenced by:

(i) written provision or statement in the organizations By-laws, Charter or Articles of Incorporation;₇

(ii) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized;₇ and

(iii) current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(B) The Applicant must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(i) organization's By-laws;₇

(ii) Resolution;₇ or

(iii) written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval.

(C) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(i) The state or local government may not appoint more than one-third of the membership of the organization's governing body;

(ii) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members;

(iii) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, employees of the participating jurisdiction, or employees of the sponsoring state or local government, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official;

(iv) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph; and.

(v) Compliance with clauses (i)-(iv) of this subparagraph shall be evidenced by:

(I) organization's By-laws;

(II) Charter; or

(III) Articles of Incorporation.

(D) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(i) By-laws;

(ii) Charter; or

(iii) Articles of Incorporation.

(E) An Applicant may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's By-laws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) organization's By-laws; or

(ii) Memorandum of Understanding (MOU).

(4) Religious or Faith-based Organizations may sponsor a CHDO if the CHDO meets all the requirements of this section. While the governing board of a CHDO sponsored by a religious or a faith-based organization remains subject to all other requirements in this section, the faith-based organization may retain control over appointments to the board. If a CHDO is sponsored by a religious organization, the following restrictions also apply:

(A) Housing developed must be made available exclusively for the residential use of program beneficiaries and must be made available to all persons regardless of religious affiliations or beliefs;

(B) A religious organization that participates in the HOME program may not use HOME funds to support any inherently religious activities: such as worship, religious instruction, or proselytizing;

(C) HOME funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. Sanctuaries, chapels, or other rooms which a faith-based CHDO uses as its principal place of worship are always ineligible for HOME-funded improvements;

(D) Compliance with clauses (A)-(C) of this subparagraph may be evidenced by:

- (i) The Organizations By-laws;
- (ii) Charter; or
- (iii) Articles of Incorporation.

(c) An application for Community Housing Development Organization (CHDO) Certification will only be accepted if submitted with an application to the Department for HOME funds. If all requirements under this section are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department. A new application for CHDO certification must be submitted to the Department with each new application for HOME funds under the CHDO set aside.

(d) If an Applicant submits an application for CHDO certification for a service area that is located in a local Participating Jurisdiction, the Applicant must submit evidence of the local taxing jurisdiction or local Participating Jurisdiction certification or designation of the Applicant as a CHDO.

(e) In the case of an Applicant applying for HOME funds (See 5% Disability requirement at ~~§53.52(a)(2)~~~~§53-56~~ of this Title) from the Department to be used in a Participating Jurisdiction, where neither the Participating Jurisdiction nor the local taxing entity certifies CHDOs outside of the local HOME application process, the Certification process described in this section applies.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Items

Request approval of the proposed 2006 Draft Housing Trust Fund Rules to be released for publication in the *Texas Register* and to accept public comment.

Required Action

Approve, or approve with revisions, the proposed 2006 Draft Housing Trust Fund Rules for publication and acceptance of public comment.

Background and Recommendations

Attached are the proposed 2006 Draft Housing Trust Fund Rules that reflect comments provided through a roundtable discussion open to the public on July 19, 2005, written public input, and staff's recommendations for revisions. The document reflects the proposed changes in "black line" version showing the proposed changes to the Housing Trust Fund Rules currently in effect which were last amended by the Board on November 14, 2004. The "black line" version shows new language as underlined and deleted language with a line running through it. Upon approval by the Board, the Draft Rules will be published in the *Texas Register* and released to the public for comment. Public hearings will be held on the proposed Draft Rules, as well as the other rules before the Board at this meeting, from approximately September 26 to October 7, 2005. A final recommendation for this rule will be presented to the Board in November 2005.

The primary changes proposed are made to ensure consistency with other multifamily rules to the extent that Housing Trust Fund will be used for multifamily development and to provide other needed clarification. Listed below is a summary of the more significant changes proposed.

1. **§51.1 and §51.2 – Purpose and Program Goals and Objectives (Page 1 of 13).** Previous sections 51.1, Purpose, & 51.2, Program Goals and Objectives, are merged to provide a more complete purpose statement to the rule and align with other Department rules. Subsequent sections of the rule were renumbered due to this change.
2. **§51.2 – Definitions (Page 2 of 13).** §51.2 adds definitions for New Construction, Reconstruction, and Rehabilitation. The purpose of these additions is to provide clarity and consistency between program rules and definitions.
3. **§51.3 – Allocation of Housing Trust Funds (Page 4 of 13).** This section is revised to include statutory language regarding the allocation of Housing Trust Funds. Paragraph (e) is also revised to include language that ensures that at least 50% of all units produced by

HTF serve populations at or below 60% of the medium family income based on input from the HTF Roundtable.

4. **§51.4 – Eligible Activities (Page 5 of 13).** This section is revised to provide greater detail on the eligible activities that may be undertaken by the Housing Trust Fund.
5. **§51.5(d)(6) – Ineligibility (Page 7 of 13).** This item refers the HTF ineligibility criteria to those outlined in the QAP and is revised to ensure that references to Ineligible Applicants exclude those restrictions which apply only to Applicants for Housing Tax Credits.
6. **§51.6(c) – Open Application Cycle Process (Page 7 of 13).** This section is revised to reduce the number of days required for Applicants to respond to application deficiencies from ten days to seven days for consistency with other Department rules.
7. **§51.6(j) – Notifications (Page 10 of 13).** Details regarding the Applicant requirements for notifications to public officials is added to provide clarity to Applicants.

Additional minor modifications are made to align the proposed rules with either federal or state statutory language.

Summary of 2006 HTF Rule Roundtable

The 2006 HTF Roundtable, held on July 19, 2005, was attended by five participants representing developers, consultants, and financial institutions. Here is a brief summary of the more substantive comments that were provided to us by participants relating to the HTF Rules.

- Consider increase in the allocation of funds to Bootstrap. There was a great deal of interest from representatives of Habitat for Humanity for increasing the level of funding available for Bootstrap, especially in EDAP Counties.
- Creation of a secondary market program to purchase mortgages from local loan pools to allow for additional housing to be built. Representatives from Habitat for Humanity were very vocal in promoting this as an excellent way to expand their ability to serve more families across the state.
- Guarantee serving populations at or below 60% AMFI. There was considerable support for setting minimum affordability requirements for all HTF programs. Fifty percent of all units serving populations at or below 60% AMFI was agreed to as an effective minimum.
- Promote the use of financial self support programs through scoring criteria. Several participants supported the promotion of self support programs and financial education through scoring criteria. Promotion of energy efficiency and Green Building through scoring criteria was also recommended.

- Use HTF for additional single-family development activities. Ideas included using HTF for owner-occupied rehabilitation, construction lines of credit, and housing infrastructure loans.
- Use HTF for architectural barrier removal was highlighted and it was noted that HOME funds do not effectively support this activity because of federal limitation on lead-based paint and other regulations which increase costs.
- Provide additional guidance and clearance on rent and income limitations. This was particularly noted in developments that received layered funding from more than one program at the Department. It was noted that when developments have layered funding that only one LURA should be placed on the property to simplify compliance standards.

It should be noted that most of the suggestions would not require revision to the rule to implement, but would only require adjustments to the State Low Income Housing Plan or the Housing Trust Fund's Annual Funding Plan.



2006 Draft HOUSING TRUST FUND RULE

TITLE 10, PART 1, CHAPTER 51 TEXAS ADMINISTRATIVE CODE

§51.1. Purpose. 1

§51.2. Definitions. 2

§51.3. Allocation of Housing Trust Funds. 4

§51.4. Basic Eligible Activities. 5

§51.5. Ineligible Activities and Restrictions. 6

§51.6. Application Procedure and Requirements. 7

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§51.8. Other Program Requirements. 11

§51.9. Citizen Participation. 13

§51.10. Records to be Maintained. 13

§51.11. Waiver. 13

§51.1. Purpose.

~~This Chapter clarifies the use and administration of the Housing Trust Fund. The fund is created pursuant to Texas Government Code 2306.201. The Department shall use the Housing Trust Fund to provide loans, grants, or other comparable forms of assistance to local units of government, public housing authorities, nonprofit organizations, income-eligible individuals, families, and households to finance, acquire, rehabilitate, and develop decent, safe, and sanitary housing. The fund is created pursuant to §2306.201 of the Texas Government Code. Pursuant to §2306.202 of the Texas Government Code, the use of the Housing Trust Fund is limited to providing:~~

- ~~(1) assistance for individuals and families of low and very low income;~~
- ~~(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low and very low income;~~
- ~~(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low and very low income; and~~
- ~~(4) subject to the limitations in Section 2306.251(c), the Department may also use the fund to acquire property to endow the fund.~~

~~**§51.2. Program Goals and Objectives.**~~

~~Use of the Housing Trust Fund is limited to providing:~~

- ~~(1) assistance for individuals and families of low, very low income and extremely low income;~~
- ~~(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low, very low income and extremely low income; and~~

~~(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low, very low income and extremely low income.~~

~~§51.3.~~ §51.2 Definitions.

The following words and terms, when used in this part, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Administrative Deficiencies--The absence of information or a document from the Application which is important to a review and scoring of the Application as required in this rule, and the Notice of Funding Availability (NOFA).

(2) Applicant--An eligible entity which is preparing to submit or has submitted an application for Housing Trust Fund assistance and is assuming contractual liability and legal responsibility by executing the written agreement with the Department.

(3) Board--The governing board of the Department.

(4) Capacity Building--Educational and organizational support assistance to promote the ability of community housing development organizations and nonprofit organizations to maintain, rehabilitate and construct housing for low, very low, and extremely low-income persons and families. This activity may include:

(A) organizational support to cover expenses for housing development or management related training, technical and other assistance to the board of directors, staff, and members of the nonprofit organizations or community housing development organizations;

(B) technical assistance and training related to housing development, housing management, or other subjects related to the provision of housing or housing services; or

(C) studies and analyses of housing needs.

(5) Community Housing Development Organizations (CHDO)--A nonprofit organization that satisfies the requirements of § 53.63 of this title.

~~(6) Competitive Application Cycle--A Notice of Funding Availability that has a fixed deadline by which applications must be submitted. A competition for funding during a defined period when applications may be submitted in response to a NOFA. Applications will be reviewed and scored for threshold and scoring criteria in accordance with the rules for application review published in the Notice of Funding Availability (NOFA)NOFA, and application guidelines.~~

(7) Department--The Texas Department of Housing and Community Affairs.

(8) Eligible Applicants--Local units of government, public housing authorities, community housing development organizations, nonprofit organizations, ~~for-profit-for-profit~~ entities, and persons and families of low, very low, and extremely low income.

(9) ~~Extremely Low Income~~ Low-Income Persons and Families--Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(10) Housing Development Costs--The total of all costs incurred, or to be incurred, by the Development Owner in acquiring, constructing, rehabilitating and financing a Development as determined by the Department based on the information contained in the Application~~Applicant's application~~. Such costs include reserves and any expenses attributable to commercial areas.

(11) Housing Development--Any real or personal property, project, building, structure, facilities, work, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, which meets or is designed to meet minimum property standards consistent with those prescribed in the Housing Trust Fund Property Standards, found in the Program Guidelines, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease,

use, or purchase by persons and families of low, very low, and extremely low income, and persons with special needs. The term may include buildings, structures, land, equipment, facilities, or other real or personal properties which are necessary, convenient, or desirable appurtenances, such as but not limited to streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances.

(12) HUD--The United States Department of Housing and Urban Development, or its successor.

(13) Local Units of Government--A county; an incorporated municipality; a special district; a council of governments; any other legally constituted political subdivision of the state; a public, nonprofit housing finance corporation created under the Local Government Code, Chapter 394; or a combination of any of the entities described here.

(14) Low-Income Persons and Families--Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(15) New construction--Any Development not meeting the definition of Rehabilitation or Reconstruction.

~~(15)~~(16) Nonprofit Organization--Any public or private, nonprofit organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; ~~and~~

(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

~~(16)~~(17) NOFA--Notice of Funding Availability, published in the *Texas Register*.

~~(17)~~(18) Open Application Cycle-- A defined period during which applications may be submitted in response to a published NOFA and which will be reviewed on a first come-first served basis until all funds available are committed, or until the NOFA is closed. A Notice of Funding Availability that does not have a fixed deadline by which applications must be submitted. Applications will be reviewed in accordance with the rules for application review published in the NOFA and application guidelines.

~~(18)~~(19) Person with Special Needs--

(A) persons with disabilities, persons with alcohol or other drug addictions, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in Colonias, and migrant farm workers, any of whom also meets the income guidelines of a person of low, very low or extremely low income.

(B) Housing Trust Funds may also be awarded through persons legally responsible for caring for an individual described by subparagraph (A.) of this paragraph.

~~(19)~~(20) Predevelopment Costs--Reimbursable costs related to a specific eligible housing project including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees; and-

(C) Predevelopment costs do not include general operational or administrative costs.

~~(20)~~(21) Public Agency--A branch of National, State or Local Government.

~~(21)~~(22) Public Housing Authority--A housing authority established under the Texas Local Government Code, Chapter 392.

~~(22)~~(23) Recipient--Community housing development organization, nonprofit organization, for-profit entity, local unit of government, or public housing authority that is approved by the Department to receive and administer housing trust funds in accordance with these rules.

(24) Reconstruction--The rebuilding of a structure on the same lot where housing is standing at the time of project commitment. During reconstruction, the number of rooms per unit may change, but the number of units may not.

(25) Rehabilitation--The alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a newly constructed foundation. Rehabilitation may include adding rooms outside the existing walls of a structure, but adding a housing unit is considered new construction.

~~(23)~~(26) Rental Housing Development--A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

~~(24)~~(27) Rural Development Project-- A proposed Development located in an area that is An area that is located:

(A) outside the boundaries of a Primary Metropolitan Statistical Area (PMSA)~~PMSA~~ or Metropolitan Statistical Area (MSA)~~MSA~~; or

(B) within the boundaries of a PMSA or MSA area, if the statistical area has a population of ~~not more than~~ 20,000, or less and does not share ~~boundaries~~ a boundary with an urban ~~urbanized~~ area; or

(C) in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS.

~~(25)~~(28) State--The State of Texas.

~~(26)~~(29) Statute--Texas Government Code 2306.

~~(27)~~(30) Very low Income Low-Income Persons and Families--Families whose annual incomes do not exceed 60% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

~~§51.4.~~§51.3. Allocation of Housing Trust Funds.

(a) Pursuant to §2306.201 of the Texas Government Code, the Housing Trust Fund is a fund administered by the Department, and placed with the Texas Treasury Safekeeping Trust Company.

(b) The fund consists of:

(1) appropriations or transfers made to the fund;

(2) unencumbered fund balances;

- (3) public or private gifts or grants;
- (4) investment income, including all interest, dividends, capital gains, or other income from the investment of any portion of the fund;
- (5) repayments received on loans made from the fund; and
- (6) funds from any other source

(c) Each biennium the first \$2.6 million available through the housing trust fund for loans, grants, or other comparable forms of assistance shall be set aside and made available exclusively for local units of government, public housing authorities, and nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least 45 percent of available funds in excess of the first \$2.6 million shall be made available to nonprofit organizations. The remaining portion shall be competed for by nonprofit organizations, for-profit organizations, and other eligible entities, pursuant to §2306.202.

~~(a)-(d)~~ Funds shall be allocated to achieve broad geographic dispersion by awarding funds in accordance with § 2306.111(d) and (g), Texas Government Code.

~~(b)-(e)~~ The Department shall require that applicants target at least 50% of those units served by utilize its best efforts to target housing trust funds allocated each fiscal year to housing assistance for to individuals and families earning less than 60% of median family income.

~~(c)-(f)~~ Bond indenture requirements governing expenditure of bond proceeds deposited in the housing trust fund shall govern and prevail over all other allocation requirements established in this section. However, the Department shall distribute these funds in accordance with the requirements of this section to the extent possible.

(g) Housing Trust Funds may also be allocated to the Texas Bootstrap Loan Program and will be awarded in accordance with section §2306.753 of the Texas Government Code.

~~§51.5-~~§51.4. Basic Eligible Activities.

The Department shall make grants and loans from the Housing Trust Fund to Eligible Applicants for purposes consistent with §51.2 of this title and §2306.202 of the Texas Government Code. Eligible program activities for the Housing Trust Fund include, but are not limited to:

(1) the acquisition, rehabilitation, and new construction of affordable rental housing. Refinancing or rehabilitation of properties constructed within the past 5 years and previously funded by the Department are not eligible;

(2) the acquisition, rehabilitation, new construction of affordable homeownership developments. Developments may be completed by a contracted developer or through Self-Help Construction. Housing that is newly constructed or rehabilitated must meet all applicable local and state codes, rehabilitation standards, ordinances, zoning ordinances, §2306.514 of the Texas Government Code, and all additional standards or codes as specified in the application guide;

(3) tenant-based rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance also includes security and utility deposits for rental of dwelling units;

(4) predevelopment loans to nonprofit housing development organizations for eligible reimbursable costs associated with the planning and implementation of affordable housing activities;

(5) credit enhancements or security for repayment of revenue bonds issued to finance affordable housing; and

(6) technical assistance or other forms of capacity building to nonprofit housing developers.

~~The Department shall make grants and loans from the Housing Trust Fund to Eligible Applicants for purposes consistent with Section 51.2 of this title and Section 2306.202 of Texas Government Code. Eligible program activities for the Housing Trust Fund include, but are not limited to, housing development activities; predevelopment costs associated with housing development; down-payment assistance; rental assistance; credit enhancements; and technical assistance or other forms of capacity building to nonprofit housing developers.~~

~~§51.6.~~ **§51.5. Ineligible Activities and Restrictions.**

(a) Displacement of Existing Affordable Housing. Housing Trust Funds shall not be utilized on a development that has the effect of permanently displacing low, very low, and extremely low income persons and families. Low-income persons who may be temporarily displaced by the rehabilitation of affordable housing may be eligible for compensation of moving and relocation expenses as permitted under Chapter 2306 of the Texas Government Code and this title.

(b) If a Housing Trust Fund recipient violates the permanent dislocation provision of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

(c) Communication with Department Employees. Communication with Department staff by Applicants that submit a Pre-Application or Application must follow the following requirements. During the period beginning on the date a Development Pre-Application or Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, the Applicant or a Related Party, and any Person that 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 individual employed as a lobbyist by the Applicant or a Related Party, may communicate with an employee of the Department about the Application orally or in written form, which includes electronic communications through the Internet, so long as that communication satisfies the conditions established under paragraphs (1) through (3) of this subsection. §49.5(b)(7) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(1) The communication must be restricted to technical or administrative matters directly affecting the Application;

(2) The communication must occur or be received on the premises of the Department during established business hours;

(3) ~~a~~ record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication- (2306.1113).

(d) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;

(3) Applicants who have submitted incomplete applications;

(4) Applicants that have been otherwise barred by the Department;

(5) Applicant or ~~developer~~Developer, or their staff, who violate the state revolving door policy, Chapter 572 of the Texas Government Code; ~~and~~or

(6) Any applicant who would otherwise be considered ineligible under ~~§49.5~~§50.5 of this title, excluding those requirements at §§50.5(a)(5) - (8), (10) and (11) of this Title.

(e) The Department will not recommend an application for funding if it includes a principal who is or has been:

(1) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;

(2) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity;

(3) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department; or

(4) Has breached a contract with a public agency.

(f) Material Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, will be terminated.

(g) Rental Housing Development Site and Development Restrictions. Restrictions include all those items referred to in ~~§49.6 of this title~~ Chapter 2306 of the Texas Government Code and any additional items included in the NOFA for rental housing developments.

(h) Limitations on the Size of Developments. Developments involving new construction will be limited to ~~252 Units~~ units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units ~~under all Development programs.~~

~~§51.7.~~§51.6. Application Procedure and Requirements.

(a) In distributing funds, the Department will release a NOFA and/or request for proposals that identifies the uses of the available funds and the specific criteria that will be utilized in evaluating applicants.

(b) Applicants must submit a complete application to be considered for funding, along with an application fee determined by the Department and outlined in the NOFA. Applications containing false information will be disqualified. Applications submitted under a Competitive Application Cycle must be received by the application deadline or they will be disqualified. Disqualified Applicants will be notified in writing. All applications must be received by the Department by 5:00 p.m. regardless of method of delivery.

(c) Applications received by the Department in response to an Open Application Cycle NOFA for housing development activities will be handled in the following manner:-

(1) The Department will accept applications on an ongoing basis, until such date when the Department makes notice to the public that the Open Application Cycle has been closed. All applications must be received during business hours and no later than 5:00 p.m. on any business day. The Department may limit the eligibility of applications in the NOFA.

(2) Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in three review phases. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a

timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review.

(A) Phase One will begin as of the received date. Applications not being considered as CHDOs will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications which do not resolve all deficiencies ~~ten~~seven business days will be retained in Phase One until all deficiencies have been addressed or resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 50 days of the received date will be terminated and must reapply for consideration of funds.

(B) Phase Two will include a review of all application requirements. The Department will ensure review of all application materials required under the NOFA and issue notice of any deficiencies on the application's satisfaction of threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications which do not resolve all deficiencies within ~~ten~~seven business days, will be retained in Phase Two until all deficiencies have been addressed or resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to Phase Three. Applications that have not left Phase Two within 65 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds.

(C) Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Department's Real Estate Analysis (REA) Division consistent with 10 TAC §1.32, Underwriting Rules and Guidelines. REA will draft an underwriting report that will identify staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within ~~ten~~seven business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within ~~ten~~seven business days, will be retained in Phase Three until Applicant resolves all deficiencies to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to the Department's Executive Award Review and Advisory Committee for final approval before recommendation to the Board. Any application that has not left Phase Three after 65 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.

(D) Upon completion of Phase Three, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as funds are still available for this activity under the applicable NOFA. If Phase Three is completed at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If Phase Three is completed with less than 14 days before the next Board meeting, the recommendation will be placed on the following month's Board meeting agenda.

(E) Because applications are prioritized by "received date," it is possible that the Department will expend all available funds before an application has been completely reviewed. If all funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new funds become available applications already under review will continue with their review without losing their received date status. If new funds do not become available within 90 days of the

notification, the applicant will be notified that their application is no longer under consideration and in the event of future funding, they would be required to reapply. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds remain under the NOFA and that the application will not be processed.

(F) The Department may decline to consider any application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. Beyond the use of the "received date", staff will make selections based upon the need for housing in the community where the development is located, the effectiveness with which the proposed use of funds would aid in continuing to provide affordable housing, the general feasibility of the proposed transaction, and the credibility of the applicant. The Department is not obligated to proceed with any action pertaining to any applications which are received, and may decide it is in the Department's best interest to refrain from funding any application. The Department strives, through its terms, to maximize the return on its funds while ensuring the financial feasibility of a development. The Department reserves the right to negotiate individual elements of any application.

(d) 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 including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. Administrative Deficiencies given to Applications submitted under an Open Application Cycle NOFA will be handled in the manner described under Part B of this Section. Applications submitted under a Competitive Application Cycle NOFA will be treated in the following manner. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within five business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within seven business days from the deficiency notice date, 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 an application in any manner after the filing deadline, except in response to a direct request from the Department.

(e) Applications received by the Department in response to a Competitive Application Cycle NOFA for housing development activities will be handled in the following manner:-

(1) Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to meet the ~~threshold criteria~~ Threshold Criteria defined by the NOFA and any Threshold Criteria that may be applicable to the Housing Trust Fund as defined by Chapter 2306 of the Texas Government Code.

(2) Scoring Evaluation. For an Application to be scored, the Application must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the ~~scoring criteria~~ Scoring Criteria identified in the NOFA.

(3) Financial Feasibility Evaluation. After the Application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title.

(f) All applications for housing development activities will be reviewed in the following manner:-

(1) A site visit will be conducted. Applicants must receive recommendation for approval from the Department to be considered for funding by the Board.

(2) ~~After~~ Board approval for the award of Development activity funds is conditioned~~d~~ upon a completed loan closing and any other conditions deemed necessary by the Department.

(g) Applications other than Rental Housing Developments will be reviewed and evaluated in accordance with the NOFA for that activity.

(h) Applicants may appeal staff's decisions regarding their applications consistent with Section 1.7 of this title.

(i) Alternative Dispute Resolution Policy. ~~Alternative Dispute Resolution Policy.~~ In accordance with Section 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 2009, 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 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 anytime 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 (~~fax: (512) 475-3978~~). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.

(j) Public Notification. Applicants for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose its "received by date" under open application cycles, or be terminated under competitive application cycles. Applicants must provide notifications to:

(1) the executive officer and elected members of the governing board of the community where the development will be located. This includes municipal governing boards, city councils, and County governing boards;

(2) all neighborhood organizations whose defined boundaries include the location of the Development;

(3) executive officer and Board President of the school district that covers the location of the Development;

(4) residents of occupied housing units that may be rehabilitated, reconstructed or demolished; and

(5) the State Representative and State Senator whose district covers the location of the Development.

(6) The notification letter must include, but not be limited to, the address of the development site, the number of units to be built or rehabilitated, the proposed rent and income levels to be served, and all other details required of the NOFA and Application Manual.

~~§51.8.~~ §51.7. Criteria for Funding.

(a) In considering applications for funding, the Department considers the following requirements under § 2306.203, Texas Government Code, and such others as may be enumerated during the funding cycle:

(1) Minimum Eligibility Criteria. To be considered for funding, an Applicant must first demonstrate that it meets each of the following threshold criteria:

(A) ~~The~~ the application is consistent with the requirements established in this rule and the NOFA;

(B) ~~The~~ the applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing an affordable housing development; and;

(C) ~~The~~ the proposal addresses and identifies a housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.

(2) Evaluation Factors. Pursuant to §2306.203(c), ~~t~~The criteria used to evaluate applications, as more fully reflected in the NOFA, will include at a minimum the:

(A) leveraging of federal funds including the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;

(B) cost-effectiveness of a proposed development; and

(C) extent to which individuals and families of very low income and extremely low income are served by the development.

(b) The Board has final approval on all recommendations for funding.

(c) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) An increase in funding that is not permitted under subsection (d) of this section.

(2) Failure to comply with this subsection may result in the termination of funding to ~~the applicant~~ Applicant.

(d) The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any Housing Trust Fund development proposal or written agreement provided that:

(1) in the case of a modification or amendment to the dollar amount of the request or award, such modification or amendment does not increase the dollar amount by more than 25% of the original request or award, or \$50,000, whichever is greater; ~~and~~

(2) in the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department as a result of the award; and;

(3) Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

~~§51.9~~ §51.8 Other Program Requirements.

(a) Employment opportunities. In connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment shall be given to low, very low, and extremely ~~low income~~ low-income persons residing within the area in which the project is located.

(b) Conflict of Interest.

(1) Conflict Prohibited. No person described in paragraph (2) of this subsection who exercises or has exercised any functions or responsibilities with respect to Housing Trust Fund activities under the Statute or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a Housing Trust Fund assisted activity, or have an interest in any Housing Trust Fund contract, subcontract or agreement or the proceeds hereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) Persons Covered. The conflict of interest provisions of paragraph (1) of this subsection apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of the Recipient.

(c) Right to Inspect and Monitor.

(1) The Department may, at any time, inspect and monitor the records and the work of the project so as to ascertain the level of project completion, quality of work performed, inventory levels of stored material, compliance with the approval plans and specifications, property standards, and program rules and requirements.

(2) Any unsatisfactory findings in the inspection may result in a reduction in the amount of funds requested or termination of funding.

(3) Within 45 days of completion of any construction, and before the release of any retainage funds, Recipients are required to notify the Department of the completion by submitting a certificate of completion and any other documents required by program guidelines, including, but not limited to, the following:

(A) Architect's Certification of Substantial Compliance;

(B) Recipient's Certificate of Substantial Completion; and

(C) Recipient's and ~~supplier's~~ Supplier's Release of Lien and warrantee.

(4) The Department performs a final close-out visit and assists owners in preparing for long-term compliance requirements upon completion of project development.

(d) Compliance.

(1) Recipient must maintain compliance with each of its written agreements with the Department.

(2) Restrictions are stated and enforced through a regulatory agreement.

(3) These restrictions include, but are not limited to the following:

(A) Rent restrictions;

(B) Record keeping and reporting; and

(C) Income targeting of tenants.

(4) The Department monitors compliance with project restrictions and any other covenants by Recipient in any Housing Trust Fund agreement. An annual per unit compliance fee of \$25.00 may be charged for this review.

(5) Prior to the leasing of any units, project owners are provided guidance and training by the Department to assist project owners in adhering to restrictions and reporting requirements.

(e) For funds being used for multifamily rental properties, the ~~recipient~~ Recipient must establish a reserve account consistent with Section 2306.186, Texas Government Code, and as further described in §1.37 of this title.

(f) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the ~~recipient~~ Recipient shall provide a full accounting of funds expended under the

terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

~~§51.10.~~ §51.9 Citizen Participation.

(a) The Department holds at least one public hearing annually, and additional public hearings prior to consideration of any proposed significant changes to these rules, to solicit comments from the public, eligible applicants, and Recipients on the Department's rules, guidelines, and procedures for the Housing Trust Fund.

(b) The Department considers the comments it receives at public hearings. The Board annually reviews the performance, administration, and implementation of the Housing Trust Fund in light of the comments it receives. The Board also reviews funding goals and set-asides relating to Allocation of Housing Trust Funds.

(c) Unless the request is made during a competitive application cycle, Applications for Housing Trust Funds are public information and the Department shall afford the public an opportunity to comment on proposed housing applications prior to making awards.

(d) Complaints will be handled in accordance with the Department's complaint procedures of §1.2 of this title.

~~§51.11.~~ §51.10. Records to be Maintained.

(a) Recipients are required, at least on an annual basis, to submit to the Department information required under Chapter 1 of this title, which may include, but is not limited to:

(1) such information as may be necessary to determine whether a project is benefiting low, very low, and extremely ~~low income~~ low-income persons and families;

(2) the monthly rent or mortgage payment for each dwelling unit in each structure assisted;

(3) such information as may be necessary to determine whether Recipients have carried out their housing activities in accordance with the requirements and primary objectives of the Housing Trust Fund and implementing regulations;

(4) ~~The~~ the size and income of the household for each unit occupied by a low, very low, or extremely ~~low income~~ low-income person or family;

(5) ~~Data~~ data on the extent to which each racial and ethnic group and households have applied for and benefited from any project or activity funded in whole or in part with funds made available under the Statute. This data shall be updated annually; and

(6) A final statement of accounting upon completion of the project.

(b) Recipients shall maintain records pertinent to the tenant's files for a period of at least three years.

(c) Recipients shall maintain records pertinent to funding awards including but not limited to project costs and certification work papers for a period of at least five years.

(d) Recipient shall maintain records in an accessible location.

~~§51.12.~~ §51.11. Waiver.

The Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances.

**REAL ESTATE ANALYSIS DIVISION
BOARD ACTION REQUEST**

August 19, 2005

Action Items:

Draft 2006 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines.

Required Action:

Board approval for publication of the Draft 2006 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines and authorize the distribution and public hearings on the draft rules concurrent with the Department's uniform hearing schedule. These rules are codified in 10TAC §1.31- 1.37.

Background:

The Department conducted workshops and held hearings on a major overhaul of the underwriting rules three years ago and removed them from the QAP. The purpose of the removal from the QAP was to facilitate the application of these rules with all of the Department's multifamily programs. The draft rules being presented today include changes resulting from two main sources of input: public input at roundtable meetings and open forums, and staff input.

Clarification and restructuring for easier referencing were the main objectives for 2006. The identity of interest section (§1.32(e)(1)(B)), the Market Analysis Rules and Guidelines (§1.33), the Property Condition Assessment Rules and Guidelines (§1.36) and several definitions were impacted. Changes made to the underlying rules are minimal and include: language to disallow radius as a boundary definition for Primary Market Area, requirement of an official Works Cited exhibit for Market Analysis Reports, and annual submittal requirements for Approved Market Analysts.

Proposed §1.33 (d)(8)(A)(iv) and (9)(A)(ii)(IV) Market Area Boundaries

Reason for Change: Staff has found use of a radius as a boundary definition may result in a market area that does not accurately reflect the demand draw for the proposed development. The National Council of Affordable Housing Market Analysts (NCAHMA) published to its webpage (<http://www.housingonline.com/>) a paper on Determining Market Areas-January 2005. The "Red Flag" section states, "**Radii Market Area:** The use of concentric circles commonly referred to as a "ring analysis" to determine a market area is an arbitrary and antiquated technique. While useful in developing preliminary demand estimates, adequate field work generally yields sufficient data and insight, eliminating the need to draw a circle around the site. In some cases, an accurate market area can resemble a circle; however the market analyst should present data and narration explaining the use of this type of market area."

Opposing Public Comment: Market Analysts including Daryl Jack of Apartment Market Data and Richard Zigler of O'Connor and Associates generally disagreed with disallowing radius as a boundary definition when the topic was discussed at a scheduled roundtable (July 26, 2005). No written comment was submitted.

Supporting Public Comment: Written comment submitted separately by John Cole of Novogradac and Company and Charlotte Bergdorf of Vogt Williams and Bowen indicate radius as a boundary definition should be disallowed.

Roundtable discussions revealed market analysts would prefer guidelines for senior developments that are distinct from the general Market Analysis Rules and Guidelines. Also, comments were made with general support for a separate population limit (exceeding 100,000) for large, urban areas. Staff did not make these changes in the 2006 Draft because time restraints do not allow for the necessary research. Staff suggests that those changes be considered for the 2007 Market Analysis Rules and Guidelines with a workgroup including market analysts on the Department's approved list formed to do the research and propose language.

Recommendation

Approve the publication of the Draft 2006 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines and authorize the distribution and public hearing on the draft rules concurrent with the Department's uniform hearing schedule.



2006 Draft with Amendments Real Estate Analysis Rules and Guidelines

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§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. 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 award determination process. 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) **Alternative Dispute Resolution 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 2009, 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 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 anytime 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 ~~(fax: (512) 475-3978)~~. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title.

(c) **Definitions.** Many of the terms used in this subchapter are defined in the Department's Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the "QAP", as proposed. Those terms that are not defined in the QAP or which may have another meaning when used in subchapter B of this title, shall have the meanings set forth in this subsection unless the context clearly indicates otherwise.

(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) **Cash Flow**--The funds available from operations after all expenses and debt service required to be paid has been considered.

(4) **Credit Underwriting Analysis Report**--Sometimes referred to as the "Report." A decision making tool used by the Department and Board, described more fully in §1.32 of this subchapter.

(5) **Comparable Unit**--A Unit, when compared to the subject Unit, similar in overall condition, net rentable square footage, monthly rent or sales price, unit amenities, utility structure, common amenities, and
(A) for purposes of calculating the inclusive capture rate and subsidized Unit rent targets the same population, and is likely to draw from the same demand pool, or

(B) for purposes of estimating the subject Unit market rent does not have any income or rent restrictions. A unit of housing that is of similar quality of construction, age, size, number of rooms, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.

(6) **Contract Rent**--Maximum Rent Limits based upon current and executed rental assistance contract(s), typically with a federal, state or local governmental agency.

(7) **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.

(8) **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.

(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.

(10) **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 the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter as it relates to a specific Development.

(11) **First Lien Lender**--A lender whose lien has first priority.

(12) **Gross Program Rent**--Sometimes called the "Program Rents." Maximum Rent Limits based upon the tables promulgated by the Department's division responsible for compliance by program and by county or Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA").

(13) **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 the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development.

~~(14) Market Analyst--An individual or firm providing market information for use by the Department.~~

~~(15) Market Rent~~--The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of ~~Rent~~-Comparable Units.

~~(16)(15) NOI~~--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

~~(17)(16) Primary Market~~--Sometimes referred to as "Primary Market Area" or "Submarket" or "PMA". The area defined by political/geographical boundaries~~the Qualified Market Analyst as described in §1.33(d)(9)(12)(A)~~ from which a proposed or existing Development is most likely to draw the majority of its prospective tenants or homebuyers.

~~(18)(17) PCA~~--Property Condition Assessment. Sometimes referred to as "Physical Needs Assessment," "Project Capital Needs Assessments," "Property Condition Report," or "Property Work Write-Up." An evaluation of the physical condition of the existing property and evaluation of the cost of rehabilitation conducted in accordance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter as it relates to a specific Development.

~~(19) Rent Comparable Unit~~--A unit of housing, not characterized as Affordable Housing, that is of similar quality of construction, age, size, number of rooms, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.

~~(20)(18) 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 40% of gross income towards total housing expenses.

~~(21)(19) 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.

~~(22)~~(20) Secondary Market--Sometimes referred to as "Secondary Market Area". The area defined by the Qualified Market Analyst as described in §1.33(d)(8)(11)(A).

(21) Supportive Housing--Sometimes referred to as "Transitional Housing." Rental housing intended solely for occupancy by individuals or households transitioning from homelessness or abusive situations to permanent housing and typically consisting primarily of efficiency units.

~~(23)~~(22) Sustaining Occupancy--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

~~(24)~~(23) 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 and published on the Department's web site.

~~(25)~~(24) Underwriter--The author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

~~(26)~~(25) 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 12 consecutive months following construction completion.

~~(27)~~(26) Utility Allowance(s)--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 or a documented estimate from the utility provider proposed in the Application. 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.

~~(28)~~(27) Work Out Development--A financially distressed Development seeking a change in the terms of Department funding or program restrictions based upon market changes.

§1.32 Underwriting Rules and Guidelines

(a) **General Provisions.** The Department, through the division responsible for underwriting, produces or causes to be produced a Credit Underwriting Analysis Report (the "Report") for every Development recommended for funding through the Department. The primary function of the Report is to provide the Committee, Executive Director, the Board, Applicants, and the public a comprehensive analytical report and recommendations necessary to make well informed decisions in the allocation or award of the State's limited resources. The Report 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. At a minimum, the Report includes:

- (1) Identification of the Applicant and any Principals of the Applicant;
- (2) Identification of the funding type and amount requested by the Applicant;
- (3) The Underwriter's funding recommendations and any conditions of such recommendations;
- (4) Review and analysis of the Applicant's operating proforma;
- (5) Analysis of the Development's debt service capacity;
- (6) Review and analysis of the Applicant's development budget;
- (7) Evaluation of the commitment for additional sources of financing for the Development;
- (8) Identification of related interests among the members of the Development Team, Third Party service providers and/or the seller of the property;
- (9) Analysis of the Applicant's and Principals' financial statements and creditworthiness;
- (10) Review of the proposed Development plan and evaluation of the proposed improvements;
- (11) Review of the Applicant's evidence of site control and any potential title issues that may affect site control;
- (12) Identification of the site which includes review of the independent site inspection report;

(13) Review of the Phase I Environmental Site Assessment in conformance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter or soils and hazardous material reports as required;

(14) Review of market data and Market Study information and any valuation information available for the property in conformance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter;

(15) Review of the appraisal, if required, for conformance with the Department's Appraisal Rules and Guidelines in §1.34 of this subchapter; and,

(16) Review of the Property Condition Assessment, if required, for conformance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter.

(c) **Recommendations in the Report.** The conclusion of the Report includes a recommended award of funds or allocation of 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) through (3) of this subsection.

(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 OAP. 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 adding total income sources and subtracting vacancy and collection losses and operating expenses 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)(6) 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 that could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) **Income.** 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 Program Rent less Utility Allowances or Market Rent or Contract Rent is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the application. Where multiple programs are funding the same units, Contract Rents are used, if applicable. If Contract Rents do not apply, the lowest Program Rents less Utility Allowance ("net Program Rent") or Market Rents, as determined by the Market Analysis that are lower than the net Program Rents, are utilized.

(i) **Market Rents.** The Underwriter reviews the Attribute Adjustment Matrix of Rent 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 Analyst's 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, the Department's Market Analysis Rules and Guidelines.

(ii) **Program Rents less Utility Allowance.** 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 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. Program Rents are reduced by the Utility Allowance. The Utility Allowance figures used are determined based upon what is identified in the application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the application.

(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.

(iii) **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 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 \$15 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.

(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 the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or development of the hard assets needed to produce an additional fee may also need to be reduced from Eligible Basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development.

(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 ~~five percent~~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.** 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 property in the same location or region as the proposed Development also provides heavily relied upon data points. 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. 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, ~~five percent~~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 ~~three percent~~3% may be utilized if documented by a Third Party 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 & 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 \$200 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. 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) through (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 ~~five percent~~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 an acceptable rationale 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 ~~five percent~~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 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 NOI figure provided by the Applicant is within ~~five percent~~5% of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating the DCR the Underwriter will maintain and use his independent calculation of NOI unless the Applicant's EGI, total expenses, and NOI are each within ~~five percent~~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.

(i) 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.

(ii) The maximum rate allowed for a competitive application cycle is evaluated by the Director of the Department's division responsible for Credit Underwriting Analysis Reports and posted to the Department's web site prior to the close of the application acceptance period. Historically this maximum acceptable rate has been at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.

(B) **Amortization Period.** The Department generally requires an amortization of not less than 30 years and not more than 50 years 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 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 initial acceptable DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.10 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) through (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 are conditioned 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) through (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 Feasibility.** The Underwriter will evaluate the long term feasibility of the Development by creating a 30-year operating proforma.

(A) A ~~three percent~~3% annual growth factor is utilized for income and a ~~four percent~~4% annual growth factor is utilized for expenses.

(B) The base year projection utilized is the Underwriter's EGI, expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within ~~five percent~~5% of the Underwriter's estimates.

(C) The DCR should remain above a 1.10 and a continued positive Cash Flow should be projected for the initial 30-year period in order for the Development to be characterized as feasible for the long term. DCR will be calculated based on the guidelines stated in subsection ~~(e)~~(d)(4) of this section.

(D) Any Development with a 30-year proforma, used in the underwriting analysis, reflecting cumulative Cash Flow over the first fifteen years as insufficient to repay the projected amount of deferred developer fee , amortized in irregular payments at ~~zero percent~~0% interest, is characterized as infeasible. An infeasible Development will not be recommended for funding unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendation(s) in the Report accordingly.

(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 ~~five percent~~5% of the Underwriter's estimate. 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 remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; 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.** ~~Where within the past three years the seller or previous owner or any Principals of the seller or previous owner is~~

(i) The acquisition will be considered an identity of interest transaction when an Affiliate of, Beneficial Owner, or a Related Party to, or any owner at any level of the Development Team

(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 36 months prior to the first day of the Application Acceptance Period., the sale of the property will be considered to be an Identity of Interest transfer.

(ii) In all such identity of interest transactions the Applicant is required to provide the additional documentation identified in §4950.9(i)(7)(A)(e)(12) of this title to support the transfer price and this information will to be used in the underwriting analysis by the Underwriter to make a transfer price determination.

(iii) In no instance will the acquisition value cost utilized by the Underwriter exceed

(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, or

(II) the "as-is" appraised value conclusion in the submitted appraisal.

(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 value of the improvements are the result of the difference between the as-is appraised value less the land value. The Underwriter may alternatively prorate the actual or identity of interest sales price based upon a lower calculated improvement value over the as-is value provided in the appraisal, so long as the resulting land value utilized by the Underwriter is not less than the land value indicated in the appraisal or tax assessment.

(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.

(3) **Site Work Costs.** Project site work costs exceeding \$7,500 per Unit 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 §50.9(i)(6)(G)49.9(f)(6)(G) of this title 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 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 ~~five percent~~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, 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 not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development.

(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)(i) of this clause-subparagraph, the uniform state service region in which the Development is to be located.

(B) **Rehabilitation 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, the Underwriter may request a supplement executed by the PCA provider supporting 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) **Hard Cost Contingency.** All contingencies identified in the Applicant project cost schedule will be added to Hard Cost Contingency with the total limited to the guidelines detailed in this paragraph. Hard Cost

Contingency is limited to a maximum of ~~five percent (5%)~~5% of direct costs plus site work for new construction Developments and ~~ten percent (10%)~~10% of direct costs plus site work for rehabilitation Developments. The Applicant's figure is used by the Underwriter if the figure is less than ~~five percent (5%)~~5%.

(6) **Contractor Fee Limits.** Contractor fees are limited to ~~six percent (6%)~~6% for general requirements, ~~two percent (2%)~~2% for contractor overhead, and ~~six percent (6%)~~6% for contractor profit. The percentages are applied to the sum of the direct construction costs plus site work costs. Minor reallocations to make these fees fit within these limits may be made at the discretion of the Underwriter. 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.

(7) **Developer Fee Limits.** For Tax Credit Developments, the development cost associated with developer fees included in Eligible Basis cannot exceed ~~fifteen percent (15%)~~15% of the project's Total Eligible Basis less developer fees, as defined in the QAP. Developer fee claimed must be proportionate to the work for which it is earned. In the case of an identity of interest transaction requesting acquisition Tax Credits, no developer fee attributable to acquisition of the Development will be included in Eligible Basis. For non-Tax Credit Developments, the percentage remains the same 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 subsection (f)(8) of this section, reserves, and any other identity of interest acquisition cost.

(8) **Financing Costs.** Eligible construction period financing is limited to not more than one year's fully drawn construction loan funds at the construction loan 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.

(9) **Reserves.** The Department will utilize the terms proposed by the syndicator or lender as described in the commitment letter(s) or the amount described in the Applicant's project cost schedule if it is within the range of two to six months of stabilized operating expenses less management fees plus debt service.

(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 Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) **Credit Reports.** The Underwriter will characterize the Development as "high risk" if the Applicant, General Partner, Developer, anticipated Guarantor or Principals thereof have a credit score which reflects a 40% or higher potential default rate.

(2) **Financial Statements of Principals.** The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information in accordance with the Department's program rules.

(A) **Individuals.** The Underwriter will evaluate and discuss financial statements for individuals in a confidential portion of the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(B) **Partnerships and Corporations.** The Underwriter will evaluate and discuss financial statements for partnerships and corporations in the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(C) If the Development is characterized as a high risk for either lack of previous experience as determined by the TDHCA division responsible for compliance or a higher potential default rate is identified as described in paragraph (1) or (2) of this subsection, the Report must condition any potential award upon the identification and inclusion of additional Development partners who can meet the Department's guidelines.

(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) **Inclusive Capture Rate.** The Underwriter will not recommend the approval of funds to new Developments requesting funds if the anticipated inclusive capture rate, as defined in §1.33 of this title, exceeds 25% for the Primary Market unless:

(A) The Developments is classified as a Rural Development according to the QAP, as proposed, in which case an inclusive capture rate of 100% is acceptable; or

(B) The Development is strictly targeted to the elderly, or ~~transitional~~ special needs populations, in which case an inclusive capture rate of 100% is acceptable; or

(C) The Development is comprised of Affordable Housing which replaces previously existing substandard Affordable Housing within the same Primary Market Area on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable Housing a leasing preference, in which case an inclusive capture rate is not applicable.

(3) 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.

(4) **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, 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 30-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.

(D) **Development Costs.** For Supportive Housing that is styled as efficiencies, the Underwriter may use "Average Quality" dormitory costs 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.

§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~~Property rental rates or sales price and state conclusions as to the impact of the ~~property~~Property with respect to the determined housing needs. ~~Furthermore, the Market Analyst shall certify that they are a Third Party and are not being compensated for the assignment based upon a predetermined outcome.~~

~~(b) Upon completion of the report, an electronic copy should be transmitted to TDHCA, and an original hard copy must be submitted.~~

~~(c)~~(b) Self-Contained. A Market Analysis prepared for the Department must ~~contain sufficient data and analysis to~~ allow the reader to understand the market data presented, the analysis of the data, and the ~~conclusion(s)~~conclusions derived from such data ~~and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed.~~ 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~~(s)~~ reached by the Market Analyst. All steps leading to a calculated figure must be presented in the body of the report. ~~A conclusion and recommendation section should be included at the end of the report.~~

~~(d)~~(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) through (3) of this subsection.

(1) ~~If not listed as approved by the Department,~~ Market Analysts must submit subparagraphs (A) through (F) of this paragraph at least thirty 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) through (C)(F) of this paragraph must be submitted annually on the first Monday in February for review by the Department.

~~(A) Documentation of good standing in the State of Texas. A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.~~

~~(B) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis. General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.~~

(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. ~~(F) Documentation of organization and good standing in the State of Texas.~~

(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 funding cycle application round and as time permits, staff ~~and/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 90 days prior to the first day of the applicable

~~Application Acceptance Period. Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web.~~

~~(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. ~~The submitted study will then be reviewed for conformance with the rules of this section and if found to be in compliance, the Market Analyst will be reinstated.~~~~

(3) The list of approved Qualified Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

~~(e)(d) Market Analysis Contents. A Market Analysis for a multifamily 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) through ~~(17)~~(13) of this subsection.~~

~~(1) Title Page. Include propertyProperty address and/or location, housing type, ~~TDHCA addressed as client or in the case that TDHCA is not the client, acknowledgement that TDHCA is granted full authority to rely on the findings and conclusions of the report,~~ effective date of analysis, date ~~of 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 date of letter, propertyProperty address and/or location, description of propertyProperty type, statement as to purpose and scope of analysis, reference to accompanying Market Analysis report, ~~reference to all person(s) providing significant assistance in the preparation of analysis, statement from Market Analyst indicating any and all relationships to any member of the Development Team and/or owner of the subject property,~~ with effective date of analysis and summary of conclusions, ~~effective date of analysis,~~ date of propertyProperty inspection, name of person(s)persons inspecting subject propertyProperty, and signatures of all Market Analysts authorized to work on the assignment. ~~In addition, a section discussing the conclusions and recommendations of the Market Analysis must be included.~~~~

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Form. Complete and include the most current TDHCA Primary Market Area Analysis Summary form. An electronic version of the form and instructions are available on the Department's website at <http://www.tdhca.state.tx.us/rea/>.

(5) Assumptions and Limiting Conditions. Include a summary description of all assumptions, both general and specific, made by the Market Analyst concerning the propertyProperty.

~~(6) Disclosure of Competency. Include the Market Analyst's qualifications, detailing education and experience of all Market Analysts authorized to work on the assignment.~~

~~(7)(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.~~

~~(8)(7) Statement of Ownership for the Subject Property. Disclose the current owners of record and provide a three year history of ownership for the subject Property.~~

~~(9) Purpose of the Market Analysis. Provide a brief comment stating the purpose of the analysis.~~

~~(10) Scope of the Market Analysis. Address and summarize the sources used in the Market Analysis. Describe the process of collecting, confirming, and reporting the data used in the Market Analysis.~~

~~(11)(8) Secondary Market ~~Information~~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 paragraph (9) of this subsection, must be contained within the Secondary Market boundaries. Secondary Market Demand will be considered for only Qualified Elderly Developments or Developments targeting special needs populations. The Market Analyst must adhere to the methodology described in this paragraph when determining the market area (§2306.67055).~~

~~(A) The Secondary Market Area will be defined by the Market Analyst with boundaries based on (in descending order of TDHCA preference)~~

~~(i) major roads,~~

~~(ii) political boundaries, and~~

~~(iii) natural boundaries.~~

~~(iv) A radius is prohibited as a boundary definition.~~

(B) The Market Analyst's definition of the Secondary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the Secondary Market.

(C) A scaled distance map indicating the Secondary Market Area boundaries that clearly identifies the location of the subject Property must be included. Include a general description of the geographic location and demographic data and analysis of the secondary market area if applicable. The secondary market area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. Additional demand factors and comparable property information from the secondary market may be addressed. However, use of such information in conclusions regarding the subject property must be well-reasoned and documented. A map of the secondary market area with the subject property clearly identified should be provided. In a Market Analysis for a Development targeting families, the demand and supply effects from the secondary market are not significant. For a Development that targets smaller subgroups such as elderly households, the demand and supply effects may be more relevant.

(12)(9) Primary Market Information 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). Include a specific description of the subject's geographical location, specific demographic data, and an analysis of the Primary Market Area.

(A) The Primary Market Area will be defined on a case-by-case basis by the Market Analyst with
(i) size based on a base year population of no more than
(I) 100,000 people for Developments targeting the general population, and
(II) 250,000 people for Qualified Elderly Developments or Developments targeting special needs populations,

(ii) boundaries based on (in descending order of TDHCA preference)
(I) major roads,
(II) political boundaries, and
(III) natural boundaries.
(IV) A radius is prohibited as a boundary definition.
engaged to provide the Market Analysis.
The Department encourages a conservative Primary Market Area delineation with use of natural, political, and geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst should contain no more than 100,000 persons; however, a Primary Market with more residents with a maximum limit of 250,000 persons in the base demographic year may be indicated by the Market Analyst, where political/geographic boundaries indicate doing so, with additional supportive narrative. A summary of the neighborhood trends, future Development, and economic viability of the specific area must be addressed with particular emphasis given to Affordable Housing.

(B) The Market Analyst's definition of the Primary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the PMA.

(C) A map of the Primary Market with the subject property plus all existing, under construction and proposed Affordable Housing developments clearly identified must be provided. A separate scaled distance map of indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location and distances of all Local Amenities described in the QAP, as proposed, must also be included.

(13)(10) Market Information.

(A) For each of the defined market areas, identify the number of units for each of the categories in clauses (i) through (vi) of this subparagraph; the data must be clearly labeled as relating to either the PMA or the Secondary Market, if applicable

- (i) total housing,
- (ii) rental developments,
- (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)). 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) Turnover. The turnover rate should be specific to the Targeted Population. The data supporting the turnover rate must originate from documented turnover rates from at least one of the following (in descending order of TDHCA preference)

- (i) Comparable Units,
- (ii) the defined PMA,
- (iii) the defined Secondary Market, and
- (iv) a Third Party data collection agency or demographer.

~~Comparable Property Analysis. Provide a comprehensive evaluation of the existing supply of comparable properties in the Primary Market Area defined by the Market Analyst. The analysis should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The analysis must separately evaluate existing market rate housing and existing subsidized housing to include local housing authority units and any and all other rent or income restricted units with respect to items discussed in subparagraphs (A) through (F) of this paragraph. If the comparable property owner and manager will not provide the information required in subparagraphs (A) through (F), a statement to that effect along with contact information for the comparable property must be included in the narrative of the Market Study.~~

~~(A) Analyze comparable property rental rates. Include a separate attribute adjustment matrix for the most comparable market rate units to the units proposed in the subject, a minimum of three developments. The Department recommends use of HUD Form 92273. Analysis of the Market Rents must be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. Total adjustments made to the Rent Comparable Units in excess of 25% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. In Primary Market Areas lacking sufficient rental comparables, it may be necessary for the Market Analyst to collect data from comparable properties in markets with similar characteristics and make quantifiable location adjustments. The Department also requires close examination of the overall use of concessions in the Primary Market Area and the effect of the identified concessions on effective Market Rents.~~

~~(B) Analyze occupancy rates of each of the comparable properties and occupancy trends by bedroom type and income restricted level (percentage of AMI). Occupancy rates presented should be clearly identified as either physical occupancy or economic occupancy.~~

~~(C) Provide annual turnover rates of each of the comparable properties and turnover trends by property class.~~

~~(D) Provide absorption rates for each of the comparable properties and absorption trends by property class.~~

~~(E) The proposed property assumptions must be supported by current information from comparable developments within the PMA. The rental data must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets include: property address, lease terms, occupancy, turnover, development characteristics, current physical condition of the property, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable market rate must be provided.~~

~~(14)(E) Demand Analysis. Provide a comprehensive evaluation of the demand for the proposed housing. The analysis must include an analysis of the need for market rate and Affordable Housing for the proposed housing within the subject Development's Primary Market Area defined market areas using the most current census and demographic data available.~~

(i) Demographics.

(I) Population. Provide population and household figures, supported by actual demographics, for a five-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. State the target adjustment rate.

(III) Household Size-Appropriate. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Development based on 1.5 persons per bedroom (round up). State the Household Size-Appropriate adjustment rate.

(IV) Income Eligible. Adjust the household size appropriate projections for income eligibility based on the income bands for the proposed Development 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 40% 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).

(-c-) State the Income Eligible adjustment rate.

(V) Tenure-Appropriate. Adjust the income-eligible household projections for tenure (renter or owner). State the Tenure-Appropriate adjustment rate. ~~The demand for housing must be quantified, well reasoned, and segmented to include only relevant income and age eligible targets of the subject Development. Each demand segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. In instances where more than 20% of the proposed units are comprised of three- and four-bedroom units, the analysis should be refined by factoring in the number of large households to avoid overestimating demand. The final quantified demand calculation may include demand due to items in subparagraphs (A) through (C) of this paragraph.~~

(A)(ii) Demand from Turnover. Apply the turnover rate as described in subparagraph (D) of this paragraph to the target, income-eligible, size-appropriate and tenure-appropriate households in the PMA projected at twelve months prior to the proposed placed in service date.

(iii) Demand from Population Growth. ~~Quantify new household demand due to documented population and household growth trends for targeted income-eligible rental households. Calculate the target, income-eligible, size-appropriate and tenure-appropriate household growth in the PMA for the twelve month period prior to the proposed placed in service date. OR confirmed targeted income-eligible rental household growth due to new employment growth.~~

~~(B) Quantify existing household demand due to documented turnover of existing targeted income-eligible rental households OR documented rent over burdened targeted income-eligible rental households that would not be rent over burdened in the proposed Development and documented targeted income-eligible rental households living in substandard housing.~~

~~(C)(iv) Demand from Other Sources.~~ The source of additional demand and the methodology used to calculate the additional demand must be clearly stated. Calculation of additional demand must factor in the adjustments described in clause (i) of this subparagraph. ~~Include other well reasoned and documented sources of demand determined by the Market Analyst.~~

~~(15)(11) Conclusions.~~ Include a comprehensive evaluation of the subject ~~property~~Property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) through (G) 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 ~~income-eligible renter demand by household size~~ within the PMA.

(B) Rents. Provide a separate market rent and subsidized rent ~~rental rate~~ conclusion for each proposed unit type (number of bedrooms or net rentable square footage) and rental ~~rent~~ restriction category. Conclusions of rental rates ~~market rents or subsidized rents~~ below the maximum net program ~~rent~~ limit rents must be well reasoned, documented, consistent with the market data, and address any inconsistencies with the conclusions of the demand for the subject units.

(i) 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,

and

(VI) unit mix specifying number of bedrooms, number of baths, net rentable square footage

(-a-) monthly rent, or

(-b-) 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

(-a-) occupancy, and

(-b-) turnover.

(ii) Provide a scaled distance map indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location of the identified developments with Comparable Units.

(iii) Rent Adjustments. In support of the market rent and subsidized rent conclusions, provide a separate attribute adjustment matrix for each proposed unit type (number of bedrooms or net rentable square footage) 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% suggest a weak comparable.

(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, but based on historic and/or well established data sources of comparable properties.

(D) Demand. State the total target, income-eligible, size-appropriate and tenure-appropriate household demand by summing the demand components discussed in paragraphs (10)(E)(ii) through (iv) of this subsection. Correlate and quantify secondary market and Primary Market demographics of housing demand to the current and proposed supply of housing and the need for each proposed unit type and the subject Development as a whole. The subject Development specific demand calculation may consider total demand from the date of application to the proposed place in service date.

(E) Inclusive Capture Rate. Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any properties with priority, as defined in §49.9(h)(2) of this title, over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision plus any previously approved but unstabilized new Comparable Units in the Primary Market divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should must calculate a separate inclusive capture rates rate for the subject Development's proposed affordable units program Units, and market rate units Units, if applicable, as well as and total Units. the subject Development as a whole. If any proposed or existing Developments are not included by the Market Analyst, withdrawn from application, subsequently found to not have priority over the subject, or not approved by the TDHCA Board, the Underwriter will adjust the inclusive capture rate accordingly. The Underwriter will adjust the inclusive capture rates to take into account any errors or omissions. To calculate an inclusive capture rate

(i) total

(I) the proposed subject Units,

(II) Comparable Units with priority, as defined in §50.9(e)(2)49.9(h)(2) of this title, over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision and

(III) previously approved, but Unstabilized Comparable Units, and

(ii) divide by the total target, income-eligible, size-appropriate and tenure-appropriate household demand stated in subparagraph (D) of this paragraph.

(F) Absorption. Project an absorption period and rate for the subject Development until to achieve Sustaining Occupancy. State the absorption rate level has been achieved. If absorption projections for the subject differ significantly from historic data, an explanation of such should be included.

~~(G) Market Impact. Analyze—Provide an assessment the effects—of the impact the subject Development, as completed, will have on existing program Developments in the Primary Market (\$2306.67055) occupancy rates and provide sufficient support documentation.~~

~~(H) Identify any other Developments located within one linear mile of the proposed site and awarded funds by the Department in the three years prior to the Application Acceptance Period.~~

~~(16)(12) Photographs. Include good qualityProvide labeled color photographs of the subject propertyProperty, (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 also be included. An aerial photograph is desirable but not mandatory.~~

~~(17)(13) Appendices. Any Third Party reports including demographics relied upon by the Market Analyst must be provided in appendix form and verified directly by the Market Analyst as to its validity. A list of works cited including personal communications also must be provided, and the Modern Language Association (MLA) format is suggested.~~

~~(f) Single Family Developments.~~

~~(1) Market studies for single family Developments proposed as rental Developments must contain the elements set forth in subsections (d)(1) through (17) of this section. Market analyses for Developments proposed for single-family home ownership must contain the elements set forth in subsections (d)(1) through (17) of this section as they would apply to home ownership in addition to paragraphs (2) through (4) of this subsection.~~

~~(2) Include no less than three actual market transactions to inform the reader of current market conditions for the sale of each unit type in the price range contemplated for homes in the proposed Development. The comparable rental rate or sales data must be current for each specific property type. The sales prices must be confirmed with the buyer, seller, or real estate agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, development characteristics, purchase price and terms, description of any federal, state, or local affordability subsidy associated with the transaction, date of sale, and length of time on the market.~~

~~(3) Analysis of the comparable sales should be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. The evaluation should address the appropriateness of the living area, room count, market demand for Affordable Housing, targeted sales price range, demand for interior and/or exterior amenities, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable single family homes must be provided.~~

~~(4) A written statement is required stating if the projected sales prices for homes in the proposed Development are, or are not, below the range for comparable homes within the Primary Market Area. Sufficient documentation should be included to support the Market Analyst's conclusion with regard to the Development's absorption.~~

~~(g)(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 propertyDevelopment and the provisions of the particular program guidelines.~~

~~(h)(f) 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 Provisions.** Appraisals 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. Self-contained reports 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. The report must contain sufficient data, included in the appendix when possible, and analysis to allow the reader to understand the property being appraised, the market data presented, analysis of the data, and the appraiser's value conclusion. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and real estate interest being appraised. The report should lead the reader to the same or similar conclusion(s) reached by the appraiser.

(b) Upon completion of the report, an electronic copy should be transmitted to TDHCA, and an original hard copy must be submitted.

(c) Value Estimates.

(1) All appraisals shall contain a separate estimate of the "as vacant" market value of the underlying land, based upon current sales comparables.

(2) 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.

(3) 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.

(4) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items. This separate assessment may be required because their economic life may be shorter than the real estate improvements and may require different lending or underwriting considerations. 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.

(d) Date of Appraisal. The appraisal report must be dated and signed by the appraiser who inspected the property. The date of valuation should not be more than six months prior to the date of application to the Department unless the Department's program rules indicate otherwise.

(e) Appraiser Qualifications. The qualifications of each appraiser are determined and approved 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, as set forth in the Statement of Qualifications appended to the appraisal. At minimum, a qualified appraiser must be appropriately certified or licensed for the type of appraisal being performed by the Texas Appraiser Licensing and Certification Board.

(f) Appraisal Contents. An appraisal 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) through (18) of this subsection.

(1) **Title Page.** Include identification as to the type of appraisal submitted (e.g., type of process--complete or limited, type of report--self-contained, summary or restricted), property address and/or location, housing type, the Department addressed as the client or acknowledgement that THDCA is granted full authority to rely on the findings of the report, effective date of value estimate(s), date of report, name and address of person authorizing report, and name and address of appraiser(s).

(2) **Letter of Transmittal.** Include date of letter, property address and/or location, description of property type, extraordinary/special assumptions or limiting conditions that were approved by person authorizing the assignment, statement as to function of the report, statement of property interest being appraised, statement as to appraisal process (complete or limited), statement as to reporting option (self-contained, summary or restricted), 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, identification of type(s) of value(s) estimated (e.g., market value, leased fee value, as-financed value, etc.), estimate of marketing period, signatures of all appraisers authorized to work on the assignment.

(3) **Table of Contents.** Number the exhibits included with the report for easy reference.

(4) **Assumptions and Limiting Conditions.** Include a summary of all assumptions, both general and specific, made by the appraiser(s) concerning the property being appraised. Statements may be similar to those recommended by the Appraisal Institute.

(5) **Certificate of Value.** This section may be combined with the letter of transmittal and/or final value estimate. Include statements similar to those contained in Standard Rule 2-3 of USPAP.

(6) **Disclosure of Competency.** Include appraiser's qualifications, detailing education and experience, as discussed in subsection ~~(e)~~ of this section.

(7) **Identification of the Property.** Provide a statement to acquaint the reader with the property. Real estate being appraised must be fully identified and described by street address, tax assessor's parcel number(s), and Development characteristics. Include a full, complete, legible, and concise legal description.

(8) **Statement of Ownership of the Subject Property.** Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(9) **Purpose and Function of the Appraisal.** Provide a brief comment stating the purpose of the appraisal and a statement citing the function of the report.

(A) **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.

(B) **Definition of Value Premise.** One or more types of value (e.g., "as is," "as if," "prospective market value") may be required. Definitions corresponding to the appropriate value must be included with the source cited.

(10) **Scope of the Appraisal.** Address and summarize the methods and sources used in the valuation process. Describes the process of collecting, confirming, and reporting the data used in the assignment.

(11) **Regional Area Data.** Provide a general description of the geographic location and demographic data and analysis of the regional area. A map of the regional area with the subject identified is requested, but not required.

(12) **Neighborhood Data.** Provide a specific description of the subject's geographical location and specific demographic data and an analysis of the neighborhood. A summary of the neighborhood trends, future Development, and economic viability of the specific area should be addressed. A map with the neighborhood boundaries and the subject identified must be included.

(13) **Site/Improvement Description.** Discuss the site characteristics including subparagraphs (A) through (F) 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, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) **Fair Housing.** It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential violations of the Fair Housing Act of 1988, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990 and/or report any accommodations (e.g., wheelchair ramps, handicap parking spaces, etc.) which have been performed to the property or may need to be performed.

(F) **Environmental Hazards.** It is recognized appraisers are not an expert 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.

(14) **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 ~~subsection (d) paragraph~~ (13)(A) through (F) 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 in appropriate order as outlined in the Appraisal of Real Estate (legally permissible, physically possible, feasible, and maximally productive) must be sequentially considered.

(15) **Appraisal Process.** The Cost Approach, Sales Comparison Approach and Income Approach are three recognized appraisal approaches to valuing most properties. It is mandatory that all three approaches are considered in valuing the property unless specifically instructed by the Department to ignore one or more of the approaches; or unless reasonable appraisers would agree that use of an approach is not applicable. If an approach is not applicable to a particular property, then omission of such approach must be fully and adequately explained.

(A) **Cost Approach.** This approach should give a clear and concise estimate of the cost to construct the subject improvements. The type of cost (reproduction or replacement) and 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 analysis.

(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 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) through (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 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) Minimum content of the sales should include address, legal description, tax assessor's parcel number(s), sale price, financing considerations, and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three 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) Several methods may be utilized in the Sale Comparison Approach. The method(s) used 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 analysis 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. The appraiser(s) reasoning and thought process must be explained.

(II) **Potential Gross Income/Effective Gross Income Analysis.** If used in the report, this method of analysis must clearly indicate the income statistics for the comparables. Consistency in the method for which such economically statistical data was derived should be applied throughout the analysis. At least one other method should accompany this method of analysis.

(III) **NOI/Unit of Comparison.** If used in the report, the net income statistics for the comparables must be calculated in the same manner and disclosed as such. 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 is to 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 rental comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of 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 comparable 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. Historical data regarding the subject's assessment and tax rates should be included. A statement as to whether or not any delinquent taxes exist should be included.

(v) **Capitalization.** Several capitalization methods may be utilized in the Income Approach. The appraiser should present the 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.

(16) **Reconciliation and Final Value Estimate.** This section of the report should summarize the approaches and values that were utilized in the appraisal. An explanation should be included for any approach which was not included. Such explanations should lead the reader to the same or similar conclusion of value. Although the values for each approach may not "agree", the differences in values should be analyzed and discussed. Other values or interests appraised should be clearly labeled and segregated. Such values may include FF&E, leasehold interest, excess land, etc. In addition, rent restrictions, subsidies and incentives should be explained in the appraisal report and their impact, if any, needs to be reported in conformity with the Comment section of USPAP Standards Rule 1-2(e), which states, "Separation of such items is required when they are significant to the overall value." In the appraisal of subsidized housing, value conclusions that include the intangibles arising from the programs will also have to be analyzed under a scenario without the intangibles in order to measure their influence on value.

(17) **Marketing Period.** 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.

(18) **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.

(g) **Additional Appraisal Concerns.** The appraiser(s) must recognize and be aware of the particular TDHCA program rules and guidelines and their relationship to the subject's value. Due to the various programs offered by the Department, various conditions may be placed on the subject which would impact value. Furthermore, each program may require that the appraiser apply a different set of specific definitions for the conclusions of value to be provided. Consequently, as a result of such criteria, the appraiser(s) should be aware of such conditions and definitions and clearly identify them in the report.

§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: E 1527). 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 .

(b) In addition to ASTM requirements, the report must

(1) State if a noise study is recommended for a property 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) Provide a narrative determination of the flood risk for the proposed Development described in the narrative of the report includes a discussion of the impact of the 100-year floodplain on the proposed Development based upon a review of the current site plan;

(5) 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;

(6) State if testing for Lead Based Paint would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(7) 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; and

(8) 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 which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on site available for review by all persons which either occupy the Development or are applying for tenancy.

(e) 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.

(f) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

§1.36 Property Condition Assessment Guidelines

(a) **General Provisions.** The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs and replacements which are: ~~necessary~~ immediately necessary; proposed by the developer; and ~~for repairs and replacements which are~~ expected to be required throughout the term of the regulatory period. 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 must 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) 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 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 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 ~~immediate~~ repairs and replacement. The PCA ~~should~~ 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 and Replacement. If the development plan calls for additional repair and replacement 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 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.

(C) (5) Expected Repair and Replacements Over Time. The term during which the PCA should estimate the cost of expected repair and replacements over time ~~should~~ 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 ~~should~~ must estimate the periodic costs which ~~would be~~ 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 ~~should~~ 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. 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~~;~~ and

~~(6) Obsolescence. If the development plan calls for additional modification or replacement of certain systems, components, or other aspects of the property strictly due to functional obsolescence or external market~~

~~obsolescence, such items should be identified and the nature or source of the obsolescence discussed. The associated costs may be included either with immediate repairs or with expected repairs over time as appropriate. 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 to ensure consistency between the PCA, and the proposed development costs.~~

(b) 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, ~~or~~
- (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 subsection, 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 should be signed and dated by the Third Party report provider not more than six months prior to the date of the application. ~~However, an original report may be accepted up to 24 months old if a review inspection and update letter dated less than six months from the date of the application is signed by the original report provider, and that such letter identifies specific details of necessary amendments to the original report or specifies that no such amendments are necessary.~~

§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. 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.

(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 30 days of any receipt or determination thereof;

(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 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 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 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) through (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 to five years old; and
 - (B) Not less than \$200 per unit per year for units six 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 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.

PORTFOLIO MANAGEMENT AND COMPLIANCE

BOARD ACTION REQUEST

August 19, 2005

Action Item

Request approval of repeal of Title 10, Part 1, Chapter 60, Subchapter A, Texas Administrative Code- Compliance Monitoring, and approval of New Title 10, Part 1, Chapter 60, Subchapter A, Texas Administrative Code, Compliance Monitoring, Sections 60.1- 60 **Compliance Monitoring Policies and Procedures**.

Required Action

Approve the repeal of the current Compliance Monitoring Policies and Procedures and approve the attached **Compliance Monitoring Policies and Procedures** for release for public comment.

Background and Recommendations

Attached are the proposed Compliance Monitoring Policies and Procedures that reflect staff's recommendations for revisions. The document provided reflects the proposed amendments in a "blackline" version showing the proposed changes from the rules currently in effect. Due to the nature of the changes in the proposed Rule, repeal of the current Rule and adoption of the revised Rule is requested to make review of the published Rule less burdensome. The changes made are sufficiently extensive to make repealing the current Rules and adopting new Rules more efficient, especially in preparation for posting in the Texas Register.

Changes made reflect changing Federal requirements and to clarify the changing role of the Portfolio Management and Compliance Division (PMC). Section structure has been updated to conform with the structure in the other rules in Title 10. Minor changes have been made to correct grammatical and formatting errors and to add clarifying language. The goal is to have clearer and more understandable Rules to eliminate confusion and misinterpretation.

Highlights of changes follow (page references to the black-line version of the proposed Rules):

- a. In Section 60.1 Purpose, the program names are revised to reflect current usage. (page 1)
- b. §60.2(d)(1)-definition adds urban/exurban to reflect the terminology used in the QAP.
- c. §60.3 is revised to conform to changes made in the construction/development inspection process and to make the process more streamlined and less burdensome during construction.
 1. Subsection 60.3(a) moves the definition of the evidence of substantial construction for HTC developments from the QAP to the Compliance Rule.
 2. Paragraph 60.3(a)(2) simplifies when mid development inspections for HTC developments may be conducted.
 3. Paragraph 60.3(a)(3) changes the final inspection for HTC developments from "placed in service" to "construction completion".

- d. Subsection 60.3(b) makes changes for development inspections for non-HTC developments to match changes made for HTC developments. Plan Reviews are eliminated.
- e. The requirement for progress inspection reports to be included with draw requests for non-HTC developments is deleted. The inspection requirements in 60.3(b) supersede this requirement.
- e. Subsection 60.3(e) removes the time limit for submission of United States Department of Agriculture Rural Development (TX-USDA-RHS) reports.
- h. Section 60.5 replaces previous wording with the wording used in 2306.057 verbatim.
- i. Section 60.8 re-states the requirement that reports must be submitted electronically, as does Subsection 60.9(f).
- j. Paragraph 60.10(c)(8) adds Uniform Physical Condition Standards (UPCS) to the statement.
- k. Paragraph 60.10(c)(24) is added.
- l. Section 60.13 adds UPCS.
- m. Subsection 60.17(g) is added.
- n. Paragraphs 60.18(b)(2) and (3) are reworded to clarify determination dates.
- o. Subparagraph 60.17(c)(1)(A): The point value for corrected major property condition violations is reduced.
- p. Clarifying language is added to Subparagraphs 60.17(c)(1)(C) and (D).
- q. Point values are revised in Subparagraph 60.17(c)(1)(T).
- r. Subparagraph 60.17(c)(2)(K) is added.
- s. Throughout the Rule, the term “non-compliance” is replaced with “noncompliance” to conform to the usage in 2306 Texas Government Code.

Upon approval by the Board, notice of the repeal of the current Rule and the proposed Rule will be published in the Texas Register and released to the public for comment and will be included in the Public Hearings in September.



2006 Compliance Monitoring Policies and Procedures
Title 10, Part 1, Chapter 60 Texas Administrative Code

Texas Administrative Code

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 60 COMPLIANCE ADMINISTRATION
SUBCHAPTER A COMPLIANCE MONITORING

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§60.1 Purpose

The Department monitors rental developments receiving assistance under the Housing Tax Credit program (HTC), the HOME Investment Partnerships program (HOME), the Tax Exempt Bond program (BOND), the Housing Trust Fund program (HTF), and the Federal Deposit Insurance Corporation's Affordable Housing Program (AHP) (formerly the Resolution Trust Corporation's Affordable Housing Disposition Program). Compliance monitoring begins with the commencement of construction and continues to the end of the long term Affordability Period. The Portfolio Management and Compliance Division (PMC) 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. PMC's processes, eligibility procedures, forms, and additional programmatic details are set out in individual program regulations and in the *Owner's Compliance Manual(s)* prepared by PMC, as amended from time to time. The rules under this section address processes, reports and records that are required to facilitate the Department's monitoring of a Development for compliance with a program's federal and state rules and regulations. These rules do not address forms and other records that may be required of Development Owners by the Internal Revenue Service (IRS) or other governmental entities more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS or other governmental audit.

§60.2 Definitions

The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

- (a) **Affordability Period**--the affordability period commences as specified in the LURA, or federal regulation or commences on the first day of the compliance period as defined by §42(i)(1) of the Internal Revenue Code (IRC) and continues through the appropriate program's affordability requirements or termination of the LURA, whichever is later. The term of the affordability period shall be imposed by LURA or other deed restriction and may be terminated upon foreclosure. During this period the Department shall monitor to ensure compliance with programmatic rules, regulations and application representations.
- (b) **Board**-- the governing board of the Texas Department of Housing and Community Affairs.
- (c) **Department**--the Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas pursuant to Chapter 2306, Texas Government Code.
- (d) **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, Texas Government Code, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:

(1) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances;

(2) single and multifamily dwellings in rural, urban/exurban areas; and

(3) a proposed qualified low income housing project, as defined by Section 42(g), IRC 1986 (26 U.S.C. §42(g)), that consists of one or more buildings containing multiple units, that is financed under a common plan, and that is owned by the same person(s) for federal tax purposes, including a project consisting of multiple buildings that are located on scattered sites and contain only rent-restricted units.

(e) **Low Income Unit**--a unit that is intended for occupancy by an income eligible household.

(f) **Land Use Restriction Agreement (LURA)**--an agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter; Chapter 2306, Texas Government Code; the IRC, Section 42; and the requirements of the various programs administered or funded by the Department.

(g) **Material Noncompliance**-- a 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 of this title or, if the HTC development is located outside the state of Texas, and noncompliance is reported to the Department that would be equal to or exceed a noncompliance threshold score of 30 points if measured in accordance with the methodology and point system set forth in this subsection. Non HTC Developments monitored by the Department with 1 to 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 to 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 120 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 150 points. For all programs, a Development will be in material noncompliance if the noncompliance is stated in Section 60.18 of this subchapter to be material noncompliance.

(h) **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.

§60.3 Development Inspections

The Department, through PMC, shall conduct inspections during the construction and rehabilitation process and at final construction completion to monitor for compliance with all program requirements, including construction threshold criteria and application Development characteristics associated with any Development funded or administered by the Department. Development inspections will be conducted by the Department or by an independent third party inspector acceptable to the Department and will include a construction quality evaluation. (§2306.081, Texas Government Code)(a) Inspection procedures for HTC Developments include:

(1) A review of the evidence of commencement of substantial construction. The minimum activity necessary to meet the requirement of substantial construction for new Developments will be defined as having expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent Application and Certification for Payment (or equivalent) and the inspecting architect. The minimum activity necessary to meet the requirement of substantial construction for rehabilitation Developments will be defined as having expended 10% of the construction budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.

(2) An interim development inspection to be conducted within two years of the award.

(3) A final Development 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.

(b) Development inspection procedures for non-HTC multifamily Developments include: (1) An initial development inspection to be conducted within two years from award.

(2) A final Development inspection performed at construction completion. Evidence of completion must be submitted within thirty days of completion and shall be provided in a format prescribed by the Department. The inspection is required by the Department in order to release retainage.

(c) The Department may require a copy of all reports from all construction inspections performed on behalf of the Applicant as needed. Those reports must indicate that the Department may rely on the information provided in the reports.

(d) Additional inspections may be conducted by the Department or by an independent third party Inspector acceptable to the Department during the construction process, if necessary, based on the level of risk associated with the Development, as determined by the Real Estate Analysis Division or PMC. PMC identifies HTC Developments to be at high risk if inspections identify issues with construction threshold criteria and Development characteristics identified at application. The PMC identifies non-HTC Developments to be at high risk if inspections conducted during the construction process identify issues with program requirements or Development characteristics identified at application.

(e) Developments having financing from the United States Department of Agriculture Rural Development (TX-USDA-RHS) will be exempt from these inspections, provided that the Development Owner provides to the Department copies of all inspections made by TX-USDA-RHS throughout the construction of the Development.

§60.4 Monitoring During the Affordability Period

The Department will monitor compliance with representations made by the Development Owner in the Application and in the LURA, whether required by the applicable program rules, regulations, including HOME Final Rule, §42 IRC, §142(d) IRC, Treasury Regulations or other rulings of the IRS, the U. S. Department of Housing and Urban Development (HUD) Community Planning and Development (CPD) Notices and Chapters 51 and 53 of this title.

§60.5 Compliance History

Before the Board approves any project application submitted under this chapter, the department, through PMC shall, pursuant to §2306.057, Texas Government Code:

(a) assess:

(1) the compliance history of the applicant and any affiliate of the applicant with respect to all applicable requirements; and

(2) the compliance issues associated with the proposed project; and

(b) provide to the Board a written report regarding the results of the assessments described by Subsection (a).

(c) The written report described by Section 60.5(b) must be included in the appropriate project file for Board and department review.

(d) The Board shall fully document and disclose any instances in which the Board approves a project application despite any noncompliance associated with the project, applicant, or affiliate.

(e) In assessing the compliance of the project, applicant, or affiliate, the Board shall consider any relevant compliance information in the department's database created under Section 2306.081, Texas Government Code, including compliance information provided to the department by the Texas State Affordable Housing Corporation.

§60.6 Section 8 Voucher Holders

The Department will monitor to ensure development owners comply with §1.14 of this title regarding residents receiving rental assistance under Section 8, United States Housing Act of 1937 (42 U.S.C. §1437F). (§2306.269 and §2306.6728, Texas Government Code).

§60.7 Monitoring of Compliance

The Department may contract with an independent third party to monitor a Development during construction or rehabilitation and during operation for compliance with any conditions imposed by the Department in connection with funding or other Department oversight and appropriate state and federal laws, as required by other state law or by the Board. (§2306.6719, Texas Government Code).

§60.8 Recordkeeping

All Development Owners must comply with program recordkeeping requirements. In addition, records including items listed in subsections (a) - (l) of this Section must be kept for each qualified low income rental unit and building in the Development, commencing with lease up activities and continuing on a monthly basis until the end of the affordability period. The Department requires any reports to be submitted electronically and in the format prescribed by the Department. Records must include:

- (a) the total number of residential rental units in the Development, including the number of bedrooms;
- (b) the move in and move out date for each residential rental unit in the Development;
- (c) which residential rental units are low income units and the income level of the residents broken into 30, 40, 50, 60 or 80 percent of the area median income;
- (d) the rent charged for each residential rental unit including, with respect to low income units, documentation to support the utility allowance applicable to such unit and any rental assistance received;
- (e) the number of occupants in each low income unit;
- (f) the low income rental unit vacancies and information that shows when and to whom all available units were rented;
- (g) the annual income certification of each tenant of a low income unit, in the form designated by the Department, as may be modified from time to time;
- (h) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 (Section 8);
- (i) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;
- (j) the race and ethnicity of the residents of each Development;
- (k) the number of units occupied by households receiving government-supported housing assistance and the type of assistance received; and
- (l) any additional information as required by the Department.

§60.9 Reporting

Each Development shall submit reports as required by the Department. Each Development that receives financial assistance or is administered by the Department, including the FDIC's AHP, shall submit the information required under this Section which describes the Annual Owner's Compliance Report (AOCR) required by §2306.0724, Texas Government Code. The Department requires this information be submitted electronically and in the format prescribed by the Department. §1.11 of this title contains procedures regarding filing and penalties for failure to file reports.

(a) Part A, the "Owner's Certification of Program Compliance"; Part B, the "Unit Status Report"; and Part C, "Tenant Services Provided Report" of the AOCR, must be provided to the Department no later than March 1st of each year, reporting data current as of January 1 of each 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, shall be delivered to the Department no later than the last day in April each year. A full description of the AOCR is contained in §60.10.

(b) The Department maintains the information reported by the AOCR pursuant to §2306.0724(c), Texas Government Code in electronic and hard-copy formats available at no charge to the public.

(c) Rental developments funded or administered by the Department, including HOME, HTF, the FDIC's AHP, and any other rental programs funded or administered by the Department shall provide tenant information provided on Part B, "Unit Status Report," at least quarterly during lease up and until occupancy requirements are achieved. Once the Department has determined that all occupancy requirements are satisfied, the Development shall submit the Unit Status Report at least annually and as required by this section.

(d) Developments financed by tax exempt bonds issued by the Department shall report quarterly throughout the Qualified Project Period unless notified by the Department of a change in the reporting frequency.

(e) The Department requires all Owners of properties administered by the Department to submit the Unit Status Report in the electronic format developed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be filed with the Department no later than January 31, 2005. Developments awarded funds after that date must submit the required forms no later than January 31st of the year following the award. The Department will provide general instruction regarding the electronic transfer of data. The Department may, at its discretion, waive the online reporting requirements. In the absence of a written waiver, all developments are required to submit the Unit Status Report online.

(f) Information regarding housing for persons with disabilities. Owners of state or federally assisted housing developments with 20 or more housing units must report information regarding housing units designed for persons with disabilities pursuant to §2306.078, Texas Government Code. This information will be reported on the Department's website and will include the following:

- (1) the name, if any, of the development;
- (2) the street address of the development;
- (3) the number of housing units in the development that are designed for persons with disabilities and that are available for lease;
- (4) the number of bedrooms in each housing units designed for a person with a disability;
- (5) the special features that characterize each housing unit's suitability for a person with a disability;
- (6) the rent for each housing unit designed for a person with a disability; and
- (7) the telephone number and name of the development manager or agent to whom inquiries by prospective tenants may be made.

§60.10 Annual Owner's Compliance Report Certification and Review

(a) On or before February 1st of each year of the affordability period, the Department will send each rental Development Owner a reminder that the AOCR must be completed by the Owner and submitted to the Department on or before the applicable deadline. The Department requires the AOCR to be submitted electronically. The AOCR shall consist of:

- (1) Part A, "Owner's Certification of Program Compliance";
- (2) Part B, "Unit Status Report";
- (3) Part C, "Tenant Services Provided Report"; and
- (4) Part D, "Owner's Financial Certification".

(b) Penalties and sanctions are assessed in accordance with §1.11(d) of this title for failure to provide the AOCR in part or entirety, including administrative penalties and denial of future requests for Department funding.

(c) Any Development for which the AOCR, Part A, "Owner Certification of Program Compliance," is not received or is received past the due date will be considered not in compliance with these rules. If Part A is incomplete, improperly completed or not signed by the Development Owner, it will be considered not received and not in compliance with these rules. The Department will report to the IRS via form 8823, Low-Income Housing Credit Agencies Report of noncompliance or Building Disposition, any HTC development that fails to comply with this section. The AOCR Part A shall include at a minimum the following statements by the Development Owner:

- (1) the Development met the minimum set aside test which was applicable to the Development;
- (2) there was no change in the Applicable Fraction or low income set aside of any building, or if there was such a change, the actual Applicable Fraction is reported to the Department (HTC only);
- (3) the Development Owner has received an annual income certification from each low income resident and documentation to support that certification, in the manner and form required by the Department's *Compliance Manual(s)*, as may be amended from time to time;
- (4) documentation is maintained to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 (Section 8), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under IRC §42(g) as described in the *Compliance Manual(s)*;
- (5) each low income unit in the Development was rent-restricted under the LURA and applicable program regulations, including IRC §42(g) (2) or 24 CFR Part 92, and the owner maintained documentation to support the utility allowance applicable to such unit;
- (6) all low income units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under IRC §42(i)(3)(B) (iii)) (HTC and BOND only);
- (7) no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a (a) (1), or an adverse judgment from a federal court;
- (8) each unit or building in the Development is, and has been, suitable for occupancy, taking into account Uniform Physical Condition Standards (UPCS) (24 CFR 5.703) or local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the Development during this reporting period. If a violation report or notice was issued by the governmental unit during this reporting period, the Development Owner must provide the Department with a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;
- (9) each unit has been inspected annually and each unit meets conditions set by HUD Housing Quality Standards; (HOME only)

(10) there has been no change in the Eligible Basis (as defined by IRC §42(d)) for any building in the Development since the last certification or, if change(s), the nature of the change; (HTC only)

(11) all tenant facilities included in the original application, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis to any tenants in the Development;

(12) Residents have not been charged for the use of any nonresidential portion of the building that was included in the building's Eligible Basis under IRC §42(d); (HTC only)

(13) if a low income unit in the Development became vacant during the year, reasonable attempts were made, or are made, to rent that unit or the next available unit of comparable or smaller size to a qualifying low income household before any other units in the Development were, or will be, rented to non low income households; (HTC and BOND only)

(14) if the income of tenants of a low income unit in the Development increased above the appropriate limit allowed, the next available unit of comparable or smaller size was, or will be, rented to residents having a qualifying income;

(15) a LURA including an Extended Low Income Housing Commitment as described in IRC §42(h)(6) was in effect for buildings subject to §7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308 - 2311, including the requirement under IRC §42(h)(6)(B)(iv) , that a Development Owner cannot refuse to lease a unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to §1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438 – 439) (HTC only);

(16) the Development Owner has not been notified by the IRS that the Development is no longer "a qualified low income housing Development" within the meaning of §42 IRC; (HTC only)

(17) if the Development Owner is required to be a Qualified Nonprofit Organization under §42(h)(5) IRC, that a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning under §469(h) IRC; (HTC only)

(18) no low income units in the Development were occupied by ineligible full time student households; (HTC and BOND only)

(19) no change in the ownership of the Development has occurred during the reporting period or changes and transfers were or are reported;

(20) the Development met all representations of the Development Owner in the Application and complied with all terms and conditions which were recorded in the LURA;

(21) the Development has made all required lender deposits, including annual reserve deposits;

(22) the street address and municipality or county in which the Development is located;

(23) the name, address, contact person, and telephone number of the property management or leasing agent;

(24) that no tenants in low-income units were evicted or had their tenancies terminated, including non-renewal of a lease, other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under IRC §42 (HTC and HOME only);

(25) any additional information as required by the Department.

(d) **Review.** Department staff will review Part A of the AOOCR for compliance with the requirements of the appropriate program including IRC §42.

§60.11 Record Retention Provisions

Each Development that is administered by the Department including the FDIC's AHP is required to retain the 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 (a) - (d) of this section;

(a) HTC records, as described in section 60.8 of this section, 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.

(b) Retention of records for HOME rental developments 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.

(c) 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.

(d) 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.

§60.12 Inspection Provision

The Department retains the right to perform an on-site inspection 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 any Extended Low Income Housing Commitment, whichever is later.

(a) The Department will perform on-site inspections and file reviews of each low income Development. The Department will conduct the first review of HTC Developments by the end of the second calendar year following the year the last building in the Development is placed in service. The Department will schedule the first review of all other Developments as leasing commences. Subsequent reviews will occur at least once every three years during the compliance period. The Department will monitor at least 15% of the low income resident files in each Development, and review the income certifications, the documentation the Development Owner has received to support the certifications, the rent records and any additional information that the Department deems necessary. The Department will also conduct a physical inspection of the Development including the exterior of the development, development amenities, and an interior inspection of a sample of units.

(b) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit 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.

(c) 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 records or a particular year will be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site 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.

(d) The Department will conduct a limited inspection for compliance with accessibility requirements under the Fair Housing Act or Section 504 of the Rehabilitation Act of 1973. If determined necessary the Department may make referrals to appropriate federal and state agencies or order third-party inspections to be paid for by the Development owner.

(e) Exception: The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed under its Section 515 program. Owners of such buildings may be exempted from the inspection provisions; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions are met, the Development Owner must provide the Department with additional information or the Department will inspect according to the provisions contained herein. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

§60.13 Inspection Standard

To determine compliance with property condition standards the Department shall review any local health, safety, or building code violation reports, or notices in the absence of local health, safety and building code violation reports. If deemed necessary by the Department, inspections by third-party inspectors may be requested and will be relied upon to determine compliance with property condition standards. In addition to the review of any local health, safety or building code violation reports, the Department may conduct inspections of the units using HUD's Housing Quality Standards or UPCS and may use those standards to determine compliance with property condition standards. Developments must be maintained to be decent, safe, sanitary and in good repair throughout the affordability period. HTC Developments that fail to comply with local codes or UPCS must be reported to the IRS.

§60.14 Notices to Owner

The Department will provide prompt written notice to the Development Owner if the Department does not receive the 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 IRC. The notice will specify a correction period which will not exceed 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 months from the date of the notice to the Development Owner if it determines there is good cause for granting an extension. 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).

§60.15 Notice to the IRS (HTC Developments only)

(a) Regardless of whether the noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 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 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 Forms 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.

§60.16 Notices to the Department

If any of the events in subsections (a) through (g) of this section occur, written notice must be provided to the Department within the timeframes listed below:

(a) any sale, transfer, exchange, or renaming of the Development or any portion of the Development. Notification must be provided at least 30 days prior to this event. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development. Any transfers of ownership must follow procedures as required by the Department (§2306.852, Texas Government Code);

(b) the mailing address of the owner changes. Notification must be provided within 30 days of the address change;

(c) the date the last building in the Development was placed in service. Notification must be provided within 30 days of the placement in service date of the last building; (HTC only)

(d) the Development suffers in whole or in part a casualty loss. Notification must be provided within 30 days following the event of loss;

(e) commencement of leasing activity. Notification must be provided within 30 days following the commencement of leasing activities. In addition, 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 90 days of such dates; (f) request for a LURA. Request for a LURA must be provided no later than September 1st of the calendar year in which the owner intends to have it recorded. A request for a LURA received after September 1st may not be processed by the Department in the same calendar year; and

(g) the Development has completed construction/rehabilitation. Notification must be provided within 30 days of construction completion. Evidence of such activity shall be provided in a format prescribed by the Department.

§ 60.17 Utility Allowances

(a) The Department will monitor to determine if HTC and BOND properties comply with published rent limits, which include an allowance for utilities. If residents are responsible for some or all utilities, Development owners must use a Utility Allowance that complies with IRC §1.42-10. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.

(b) The Department will monitor to determine if HOME and HTF Developments comply with published rent limits, which include an allowance for utilities. Unless otherwise approved by the Department, HOME and HTF Developments must use the utility allowance

established by the applicable housing authority. Changes in utility allowances must be implemented on the published effective date.

§60.18 Material Noncompliance

For all programs, a Development will be in material noncompliance if the noncompliance is stated in this section to be material noncompliance. Developments with more than one program administered by the Department will be scored by program. The Development will be considered in material noncompliance if the score for any single program exceeds the noncompliance limit for that program. The Department may take into consideration the representations of the Applicant regarding compliance violations; however, the records of the Department are controlling.

(a) Each development that is funded or administered by the Department will be scored according to the type and number of noncompliance events as it relates to the HTC program or other Department programs. 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. Unless otherwise specified below, under the HTC program, noncompliance events issued on Form 8823 are assigned point values. For other programs administered by the Department, unless otherwise specified below, noncompliance events identified during on-site monitoring reviews are assigned point values.

(b) Uncorrected noncompliance 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 three years after the date the noncompliance was reported corrected by the Department.

(1) Under the HTC program, noncompliance events that occurred and were identified by the Department through the issuance of the IRS Form 8823 prior to January 1, 1998, are assigned corrected point values to each noncompliance event. The score for these events will no longer be included in the Development's score three years after the date the corrected Form 8823 was executed.

(2) The score in effect on May 1st of the year the HTC program application is submitted during final application for Developments applying for participation in the BOND program, HOME program or HTF program, or during application review of any other program funded or administered by the Department will determine if any rental development disclosed on previous participation forms is in material noncompliance.

(3) The Department will not execute a Carryover Allocation Agreement with any Owner in Material Noncompliance on October 1, 2006.

(4) Any corrective action documentation affecting the compliance status score must be received by the Department thirty days prior to the date the HTC program Application Round closes, thirty days prior to the submission of Volume I of the application for a BOND Development, or thirty days before the submission of an application for any other program funded or administered by the Department.

(c) Events of noncompliance 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 event rather than a score for each building. Other types of noncompliance are identified individually by unit. This type of noncompliance 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 are in noncompliance.

(d) Each type of noncompliance is assigned a point value. The point value for noncompliance is reduced upon correction of the noncompliance. The scoring point system and values are as described in paragraphs (1) and (2) of this subsection. The point system weighs certain types of noncompliance more heavily than others; therefore certain noncompliance events automatically place the development in Material Noncompliance. However, other types of noncompliance by themselves do not warrant the classification of Material Noncompliance. Multiple occurrences of these types of noncompliance events may produce enough points to cause the development to be in Material Noncompliance.

(1) Development Noncompliance items are identified in subparagraphs (A) - (BB) of this subparagraph.

(A) Major property condition violations. The development displays major violations of health, safety and building codes. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 10 points.

(B) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 10 points.

(C) Development is not available to general public. The IRS will be notified of HTC developments reported to the Department, according to the Memorandum of Understanding among the U.S. Department of Treasury, the Department of Housing and Urban Development, and the Department of Justice, to be under investigation of possible violations of the Fair Housing Act. No points are imposed.

Determination of a violation under the Fair Housing Act. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 10 points.

(D) Development is out of compliance and never expected to comply. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. No correction is possible; no corrected score assigned.

(E) Owner failed to pay fees or allow on-site monitoring review. Points will be assigned to this event after written notification to the Development owner. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 5 points.

(F) LURA not in effect. The LURA was not executed within the required time period. Uncorrected, this is material noncompliance. This event will be assigned points upon written notification to the owner. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 5 points.

(G) Developments awarded HTC January 1, 2004, or later, that are foreclosed by a lender, or the General Partner is removed by a syndicator due to reasons other than market conditions. Points associated with a foreclosure will be assigned at the time the 8823 is sent to the IRS. Points associated with the removal of the General Partner will be assigned upon written notification to the former General Partner. 25 points.

No correction is possible; no corrected score assigned.

(H) Development failed to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points. (HTC and BOND only)

(I) No evidence of, or failure to certify to, non-profit material participation for an Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.

(J) The Development failed to meet additional State required rent and occupancy restrictions. The LURA requires the Development to lease units to low income households at multiple income and rent tiers. This event refers to the condition when the lower tiers are not satisfied. Uncorrected is 10 points. Corrected is 3 points.

(K) The Development failed to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(M) The Development failed to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(N) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(O) The Development Owner failed to provide required annual notification to the local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 points.

(P) Changes in Eligible Basis. Changes occur when common areas become commercial, fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 points. (HTC only)

(Q) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

(R) Failure to submit part or all of the AOCR or failure to submit any other annual, monthly, or quarterly report required by the Department. Uncorrected is 10 points. Corrected is 3 points.

(S) Owner failed to make available or maintain a management plan with required language as required under §1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(T) Owner failed to approve and distribute an Affirmative Marketing Plan as required under §1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(U) Pattern of minor property condition violations. Development displays a pattern of property violations; however, those violations do not impair essential services and safeguards for tenants. Uncorrected is 10 points. Corrected is 5 points.

(V) Development failed to comply with requirements limiting minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 points.

(W) Owner defaults on payments of Department loans for a period exceeding 90 days. Uncorrected, this is material noncompliance. Points will be assigned under this event after written notice to the Development Owner. Uncorrected is equal to the material noncompliance status threshold score as defined in Section 60.2(g) of these Rules. Corrected is 10 points.

(X) Utility Allowance not calculated properly. Uncorrected 3 points. Corrected 1 point.

(Y) Failure to comply with the Next Available Qualifying Unit Rule. Uncorrected 3 points. Corrected 1 point.

(Z) Owner failed to execute required lease provisions or exclude prohibited lease language. Uncorrected 3 points. Corrected 1 point (All programs except HTC)

(AA) Failure to provide annual Housing Quality Standards inspection. Uncorrected 10 points. Corrected 3 points. (HOME Only)

(BB) Development has failed to establish and maintain a reserve account in accordance with §1.37 of this title. Points will be assigned under this event after written notice to the Development Owner. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in subsection 60.2(g) of these Rules. Corrected is 10 points.

(2) Unit Noncompliance items are identified in subparagraph (A) - (K) of this subsection.

(A) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.

(B) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point. (HTC and BOND only)

(C) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point. (HTC and BOND only)

(D) Household income increased above the re-certification limit and an available Unit was rented to a market tenant. Uncorrected is 3 points. Corrected is 1 point.

(E) Gross rent exceeds the highest rent allowed under the LURA or other deed restriction. Uncorrected is 3 points. Corrected is 1 point.

(F) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(G) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value. Casualty losses are reported to the IRS on HTC Developments.

(H) When a low income Unit became vacant, owner failed to lease (or make reasonable efforts to lease) to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected is 3 points. Corrected is 1 point.

(I) Unit not available for rent. Unit is used for non-residential purposes excluding unavailable Units due to casualty and manager-occupied Units. Uncorrected is 3 points. Corrected is 1 point.

(J) Qualifying unit designation removed from household. Uncorrected is 3 points. Corrected is 1 point. (FDIC's AHP only)

(K) Development evicted or terminated the tenancy of a low income tenant for other than good cause. Uncorrected is 10 points. Corrected is 3 points. (HTC and HOME only)

§60.19 Alternative Dispute Resolution 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 2009 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 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 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 10 Texas Administrative Code §1.17.

§60.20 Liability

Compliance with the program requirements including compliance with IRC §42, 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 IRC, HOME program regulations, BOND program requirements, and all other programs monitored by the Department.

§60.21 Applicability to All Programs

Unless otherwise noted, these provisions apply to all Developments administered by the Department including the FDIC's AHP.

§60.22 Waiver

The Board, in its discretion and within the limits of law, may waive any one or more of these Rules if the Board finds that 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.

Division of Policy and Public Affairs

BOARD ACTION REQUEST August 19, 2005

Action Item

Presentation of the Proposed Methodology for the Housing Tax Credit (HTC) and Housing Trust Fund (HTF) 2006 Regional Allocation Formula (RAF).

Required Action

Review and comment on the proposed HTC and HTF 2006 RAF methodology. This formula is part of the *State Low Income Housing Plan and Annual Report (SLIHP)*, which will be released for public comment following the September Board Meeting. Because of the complexities of the formula and the significant impact on the HOME, HTC, and HTF programs' annual activities, this item is discussed separately from the SLIHP. The HOME RAF will be presented to the Board at the September Board along with the SLIHP.

- See "Attachment A" for a summary of changes from the final 2005 RAF and the resulting *Proposed Methodology for the 2006 HTC and HTF RAF*.
- See "Attachment B" for the resulting *Proposed 2006 HTC and HTF RAF Funding Distribution*.
- See "Attachment C" for a summary of *Allocation Differences between the 2005 RAF and the Proposed 2006 RAF*.

Background

Background

Section 2306.111(d) of the Government Code requires that TDHCA use a formula to regionally allocate its HOME, HTC, and HTF program funding. The resulting RAF objectively measures the affordable housing need and available resources in the 13 State Service Regions it uses for planning purposes. Additionally, the RAF allocates funding to rural and urban/exurban 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; respond to public comment on the formula; and include other factors as required to better assess regional affordable housing needs. Slightly modified versions of the RAF are used for the HOME and HTF/HTC programs because the programs have different eligible activities, households, and geographical areas. The RAF, which is published in the SLIHP, is annually submitted for public comment.

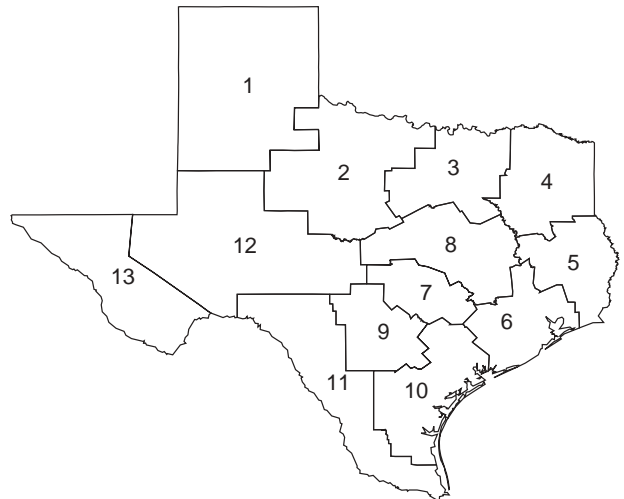


Figure 1. State Service Regions

Attachment A

Proposed Methodology for the 2006 HTC and HTF RAF

Summary of Proposed Changes from the 2005 RAF Formula

Unlike previous years, significant changes are not proposed to the RAF methodology. It is hoped that consistency will help applicants better predict the annual available funding amount in each region. It is also thought that it may be easier for interested parties to comment on the RAF because it is essentially the same formula used in the previous HTC and HTF funding cycles.

Consideration of Available Housing Resources

The only proposed change to the RAF is in the type and valuation of funding that the formula considers as available housing resources.

➤ **Consideration of HOME funds.** Each of the State's Participating Jurisdictions (PJ) were surveyed to determine how their HOME funding is allocated. In the past, each PJ's entire HOME award was considered in the RAF because multifamily rental development and rental assistance was an eligible use of the funds. However, after evaluating recent legislative efforts to focus on "rental development" activities, determining how much HOME funding goes to rental activities seemed logical. Considering only resources associated with rental activities is also consistent with how TDHCA considered its HOME funding in the 2005 RAF.

The RAF still considers rental assistance activities. To a household in need of housing assistance, there is little difference between a lower cost affordable housing unit and a market rate unit subsidized by a voucher. In either case, housing need is met by an "available housing resource" as required under the RAF legislation.

➤ **Removal of Emergency Shelter Grant (ESG) Funds from the RAF.** In a similar decision to focus on rental development and rental assistance funding, it is suggested that ESG funding be removed from the RAF as this activity is not primarily directed towards building or rehabbing units or providing rental vouchers.

➤ **Valuation of Multifamily Bond Funding (MFB).** In past public comment periods, the valuation of multifamily bond funds in the RAF has been debated. In the 2005 RAF, the estimated long-term benefit from the differential of the tax-exempt bond interest rate versus the taxable bond interest rate was used. This approach valued the bonds at 20 percent of their dollar value. Upon further review, this valuation did not seem to be high enough given the comparative value in the RAF of a 9% HTC transaction and a MFB transaction.

Because MFB/4% HTC and 9% HTC financed developments provide a similar level of benefit to communities in which they are located, the proposed RAF uses a MFB valuation approach that is tied to the value of 9% HTCs. The percentage of development cost typically financed by 9% HTCs estimates how much "affordable capital" is required to make a corresponding MFB development affordable.

1. On average, HTCs financed 64 percent of the total development cost of 2005 9% HTC awards.
2. The theoretical "affordable capital" amount of each 2005 MFB development was calculated by multiplying its total development cost by 64 percent.
3. The syndicated 4% HTC value of each 2005 MFB development was calculated based on the average syndication rate of Board approved MFB awards over the last three months.
4. The syndicated 4% HTC value was subtracted from the "affordable capital" amount for each 2005 MFB award to determine the portion of "affordable capital" gap the MFBs financed.
5. On average, the affordability gap was 52 percent of the MFB amount.

For example, if a development received \$7.1 million in MFBs and \$314,202 in 4% credits its total value is:

Estimated value of the bonds (\$7.1 M. bond amount x .52 adjustment factor) =	\$3.7 M.
Estimated value of the 4% Credits (\$314,202 x .90 average syndication rate x 10 years) =	\$2.8 M.
<hr/> Total value of the transaction in the RAF =	<hr/> \$6.5 M.

RAF Methodology for 2006

Considering Affordable Housing Need

The first part of the RAF determines how the program funding would be distributed based solely on objective measures of each region's share of the State's affordable housing need. The four following 2000 U.S. Census need measures are used to calculate this regional distribution of need.

- **Poverty:** Number of persons in the region who live in poverty.
- **Cost Burden:** Rental units with a monthly gross rent to monthly household income ratio that exceeds 30 percent.
- **Overcrowded Units:** Rental units with more than one person per room.
- **Units with Incomplete Kitchen or Plumbing:** Rental 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.

Because the need measures used in the RAF reflect the three funding sources' eligible households and activities, the data follows these guidelines.

- Except for the poverty data, the data sets relate to households at or below 80% of the Area Median Family Income (AMFI).
- Because the HTC/HTF formula primarily affects rental development activities, the HTC/HTF RAF uses renter household need data. Poverty data is the exception as only information on all households is available.

Each need measure is weighted to reflect its perceived relevance in assessing affordable housing need. Because of the significant number of persons in poverty and its value as an overall measure of need, half the formula weight is associated with this measure. The other half of the measure weight is proportionately allocated based on the relative size of the remaining measures. Because each measure's relative number of impacted persons or households does not vary significantly within the renter only and renter and owner data sets, renter and owner data is used to assign both the HOME and HTC/HTF formulas' measure weight percentages. The population size of each measure is provided below in *Table 1. Relative Size of the Measure Populations*. The resulting measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.

Table 1. Relative Size of the Measure Populations

Poverty	Renter Cost Burden	Renter Overcrowding	Incomplete Kitchen or Plumbing
3,117,609	1,263,817	435,309	58,065

The total RAF funding amount is multiplied by each need measure's weight to determine how much funding is distributed by that measure. Each measure's funding amount is then distributed regionally based on the regional dispersal of persons or households in need. The regional distributions for each of the measures are then combined to calculate each region's **need-based funding amount**. This amount will then be adjusted to consider the availability housing resources, as required by statute.

Considering Available Housing Resources

Section 2306.111(d) of the Government Code requires the RAF to consider available housing resources in the region. In theory, if the measure of regional housing need is accurate, then the regional distribution of available housing resources should reflect the observed housing need distribution. Therefore, a **resource funding adjustment** is used to increase or decrease each region's **need-based funding amount** to address regional resource and need mismatches.

The following sources of rental development and rental assistance funding are used in the HTC/HTF RAF.

- HUD HOME Rental Development or Rental Assistance Funds (TDHCA & PJ)
- HUD Housing for Persons with AIDS (HOPWA) Funding
- HUD Section 8 Tenant-Based Rental Assistance [TDHCA & Public Housing Authorities (PHA)]

- HUD PHA Capital Funds
- United States Department of Agriculture (USDA) Multifamily Development Funding¹
- USDA Rental Assistance
- Multifamily Housing Tax Credits (9% and 4% associated with tax-exempt bond financing)²
- Multifamily Tax-Exempt Bond Financing (Texas Bond Review Board)³

Considering Rural and Exurban/Urban Need

Section 2306.111(d) of the Government Code requires the RAF to consider “rural and urban/exurban” areas in its distribution of program funding. TDHCA has determined that “urban/exurban” is a single category. The RAF uses the following rural and urban/exurban definitions.

Rural

1. A place that is outside the boundaries of a metropolitan statistical area (MSA);
2. or within the boundaries of a MSA, if the place has a population of 20,000 or less and does not share a boundary with a place that has a population greater than 20,000.⁴

Urban/Exurban

1. Any place that does not satisfy the Rural place definition;
2. or an area located outside the boundaries of a place and in a census tract that has a population density greater than 1,200⁵ people per square mile.

To equitably allocate funding to these areas, the rural and urban/exurban distribution of need and resources is compared at the regional level. As was done to determine the regional funding amount, resource funding adjustments are made to address observed rural and urban/exurban resource and need distribution differences.

¹ These resources do not include transactions that represent only a reauthorization of funds or a loan transfer that does not actually provide additional new or rehabilitation funding. USDA lists such transactions as new funding activity.

² The value of the HTC is an estimate of the capital raised through the sale of the credits.

³ The value of the bonds has been reduced to 52 percent of the total bond amount. This adjustment factor was developed by the TDHCA Real Estate Analysis Division and the Division of Policy and Public Affairs. The HTCs associated with these bonds are valued at their full estimated syndicated value.

⁴ 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 is used to make the area type determination.

⁵ 1,200 persons per square mile is approximately equal to the average population density of urban categorized places with a population less than 100,000.

Attachment B

Proposed 2006 HTC and HTF RAF Funding Distribution

The tables below show the allocation of funds to the 13 State Service Regions and the corresponding rural and urban/exurban distribution within each region.

The final HTC and HTF funding amounts and available resource data can not be obtained until the end of the third quarter of 2005; therefore the RAF funding distributions shown below are estimates which are subject to change. In particular, the HTF RAF amount shown is a maximum estimate pending approval of the program's 2006 funding plan.

Table 1. Housing Tax Credit Regional, Rural, and Urban/Exurban Funding Amounts

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban/Exurban Funding Amount	Urban/Exurban Funding %
1	Lubbock	\$1,916,437	4.6%	\$724,315	37.8%	\$1,192,123	62.2%
2	Abilene	\$1,187,806	2.8%	\$535,430	45.1%	\$652,376	54.9%
3	Dallas/Fort Worth	\$6,428,929	15.3%	\$603,820	9.4%	\$5,825,109	90.6%
4	Tyler	\$2,201,250	5.2%	\$1,110,044	50.4%	\$1,091,207	49.6%
5	Beaumont	\$1,609,043	3.8%	\$857,201	53.3%	\$751,842	46.7%
6	Houston	\$9,499,614	22.6%	\$735,688	7.7%	\$8,763,925	92.3%
7	Austin/Round Rock	\$3,300,380	7.9%	\$326,758	9.9%	\$2,973,622	90.1%
8	Waco	\$2,575,926	6.1%	\$571,587	22.2%	\$2,004,339	77.8%
9	San Antonio	\$2,277,631	5.4%	\$377,121	16.6%	\$1,900,510	83.4%
10	Corpus Christi	\$1,905,305	4.5%	\$750,665	39.4%	\$1,154,640	60.6%
11	Brownsville/Harlingen	\$5,560,000	13.2%	\$1,956,748	35.2%	\$3,603,252	64.8%
12	San Angelo	\$1,246,828	3.0%	\$329,637	26.4%	\$917,191	73.6%
13	El Paso	\$2,290,850	5.5%	\$254,148	11.1%	\$2,036,701	88.9%
	Total	\$42,000,000	100.0%	\$9,133,163	21.7%	\$32,866,837	78.3%

Table 2. HTF Regional, Rural, and Urban/Exurban Funding Amounts

Note: Due to the relatively small regional funding amounts, the HTF funds will be allocated regionally, but without specified rural and urban/exurban allocations. The overall statewide rural and urban/exurban distribution of funds will be maintained in awarding the funds.

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban/Exurban Funding Amount	Urban/Exurban Funding %
1	Lubbock	\$91,259	4.6%				
2	Abilene	\$56,562	2.8%				
3	Dallas/Fort Worth	\$306,139	15.3%				
4	Tyler	\$104,821	5.2%				
5	Beaumont	\$76,621	3.8%				
6	Houston	\$452,363	22.6%				
7	Austin/Round Rock	\$157,161	7.9%				
8	Waco	\$122,663	6.1%				
9	San Antonio	\$108,459	5.4%				
10	Corpus Christi	\$90,729	4.5%				
11	Brownsville/Harlingen	\$264,762	13.2%				
12	San Angelo	\$59,373	3.0%				
13	El Paso	\$109,088	5.5%				
	Total	\$2,000,000	100.0%	\$434,913	21.7%	\$1,565,087	78.3%

Attachment C

Allocation Differences between the 2005 RAF and the Proposed 2006 RAF

Table 3. HTC Allocation Differences

Region	Place for Geographical Reference	2006 Proposed RAF Amount	2005 Final RAF Amount	Difference in HTCs 06-05	% Difference in HTCs 06-05
1	Lubbock	\$1,916,437	\$1,722,258	\$194,179	11%
2	Abilene	\$1,187,806	\$1,116,011	\$71,795	6%
3	Dallas/Fort Worth	\$6,428,929	\$7,363,515	(\$934,586)	-13%
4	Tyler	\$2,201,250	\$1,986,653	\$214,597	11%
5	Beaumont	\$1,609,043	\$1,195,713	\$413,330	35%
6	Houston	\$9,499,614	\$7,780,711	\$1,718,903	22%
7	Austin/Round Rock	\$3,300,380	\$2,815,135	\$485,245	17%
8	Waco	\$2,575,926	\$2,390,317	\$185,609	8%
9	San Antonio	\$2,277,631	\$3,232,645	(\$955,014)	-30%
10	Corpus Christi	\$1,905,305	\$1,989,518	(\$84,213)	-4%
11	Brownsville/Harlingen	\$5,560,000	\$5,161,538	\$398,462	8%
12	San Angelo	\$1,246,828	\$1,180,594	\$66,234	6%
13	El Paso	\$2,290,850	\$2,065,391	\$225,459	11%
	Total	\$42,000,000	\$40,000,000	\$2,000,000	5%

Table 4. HTF Allocation Differences

Region	Place for Geographical Reference	2006 Proposed RAF Amount	2005 Final RAF Amount	Difference in HTF 06-05	% Difference in HTF 06-05
1	Lubbock	\$91,259	\$172,226	(\$80,967)	-47%
2	Abilene	\$56,562	\$111,601	(\$55,039)	-49%
3	Dallas/Fort Worth	\$306,139	\$736,351	(\$430,212)	-58%
4	Tyler	\$104,821	\$198,665	(\$93,844)	-47%
5	Beaumont	\$76,621	\$119,571	(\$42,950)	-36%
6	Houston	\$452,363	\$778,071	(\$325,708)	-42%
7	Austin/Round Rock	\$157,161	\$281,514	(\$124,353)	-44%
8	Waco	\$122,663	\$239,032	(\$116,369)	-49%
9	San Antonio	\$108,459	\$323,265	(\$214,806)	-66%
10	Corpus Christi	\$90,729	\$198,952	(\$108,223)	-54%
11	Brownsville/Harlingen	\$264,762	\$516,154	(\$251,392)	-49%
12	San Angelo	\$59,373	\$118,059	(\$58,686)	-50%
13	El Paso	\$109,088	\$206,539	(\$97,451)	-47%
	Total	\$2,000,000	\$4,000,000	(\$2,000,000)	-50%

As shown by Table 5, the primary cause of funding differences between the final 2005 RAF and the proposed 2006 RAF relate to annual differences in the way the multifamily bond funding is regionally distributed. For the HTF Program, the differences are compounded by a projected reduction in the amount of funding to be allocated through the RAF.

Table 5. Multifamily Bond Funding Awards 2005 and 2006

Region	Place for Geographical Reference	2006 MF Bond \$	2005 MF Bond \$	Difference in MFB \$ 06-05	# of 06 MF Bond Awards	# of 05 MF Bond Awards	Difference in # of MFB Awards 06-05
1	Lubbock	\$-	\$4,430,000	\$(4,430,000)	0	1	-1
3	Dallas	\$269,582,662	\$178,260,800	\$91,321,862	22	14	8
5	Beaumont	\$-	\$8,920,000	\$(8,920,000)	0	1	-1
6	Houston	\$227,144,986	\$294,491,048	\$(67,346,062)	19	25	-6
7	Austin	\$9,583,807	\$43,437,000	\$(33,853,193)	1	4	-3
9	San Antonio	\$147,895,000	\$25,394,000	\$122,501,000	12	2	10
10	Corpus Christi	\$7,855,000	\$-	\$7,855,000	1	0	1
	Total	\$662,061,455	\$554,932,848	\$107,128,607	59	52	7

Division of Policy and Public Affairs

BOARD ACTION REQUEST

August 19, 2005

Action Item

Presentation of the proposed methodology for the 2006 TDHCA Housing Tax Credit (HTC) and Housing Trust Fund (HTF) Affordable Housing Need Score (AHNS)

Required Action

Review and comment on the proposed methodology for the 2006 AHNS. This scoring component is part of the *State Low Income Housing Plan and Annual Report (SLIHP)* which will be released for public comment following the September Board Meeting. Because the score has an impact on the HOME, Housing Tax Credit (HTC), and Housing Trust Fund (HTF) programs' funding dispersion, this item is discussed separately from the SLIHP. The HOME AHNS will be presented to the Board at the September Board along with the SLIHP.

- See "Attachment A" for the *Proposed Methodology for the 2006 HTC and HTF AHNS* and a summary of changes from the final 2005 AHNS.
- See "Attachment B" for the resulting *Proposed 2006 HTC and HTF AHNS*.

Background

The AHNS is one of the scoring criteria used to evaluate HOME, HTC, and HTF applications. 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.

The AHNS is an extension of the TDHCA Regional Allocation Formula (RAF) concept in that it provides a comparative assessment of each place's¹ level of need relative to the other places within the State Service Region (see Figure 1). Through the AHNS, applicants are encouraged to request funding to serve communities that have a high level of need. Slightly modified versions of the AHNS are used for the HOME and HTF/HTC programs because the programs have different eligible activities, households, and geographical areas. The formula is submitted annually for public comment and the final version is published in the SLIHP.

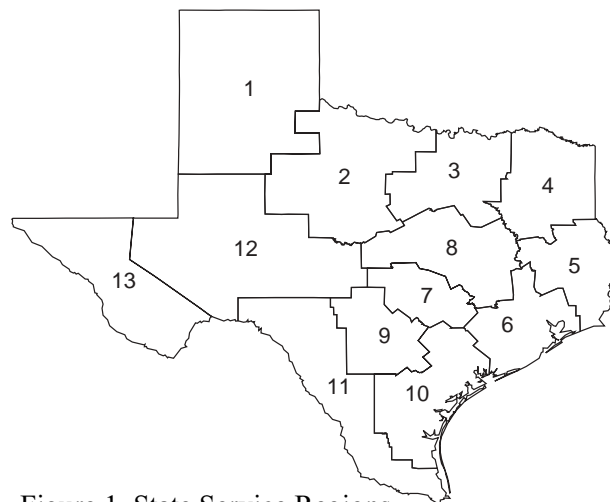


Figure 1. State Service Regions

¹ County scores are not generated for rental development activities. Development sites located outside the boundaries of a place (as designated by the US Census) will utilize the score of the place whose boundary is closest to the development site.

Attachment A

Proposed Methodology for the 2006 HTC and HTF AHNS

Summary of Proposed Changes from the 2005 AHNS

When the AHNS was discussed during a recent SAO audit of HOME and HTF funding awards, it was noted that the score does not consider the impact of TDHCA awards on the Census data's measure of need. While this issue was not an official SAO finding, it seemed logical that this issue be addressed. The resulting methodology allows the AHNS to consider changes in place level need since the 2000 Census was conducted. These changes include place level:

- need reductions based on the development of units funded by TDHCA; and
- increases or decreases in need tied to population change over the decade.

While the change in the way the AHNS measures need is fairly significant, the points associated with the AHNS (7) and the way these points are assigned remains unchanged.

Proposed Methodology for the 2006 HTC and HTF AHNS

- 1) 2000 U.S. Census data is used to determine a baseline for the number of households in each place who need housing assistance. For the HTC and HTF RAF, this would be households at or below 80% AMFI who experienced cost burden. These are the households that would need HTC units.
- 2) The number of renters with cost burden is adjusted based on the difference between the population in the 2000 Census and the 2004 State Data Center population estimate.
- 3) The number of units developed using TDHCA HTC, HOME, and HTF rental development 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 place's **estimated remaining need**.
 - a) The **estimated remaining need** measure quantifies place level of need in two ways.
 - i) The ratio of the county's level of need to the region's level of need is calculated. This ratio shows the **distribution of need** across the region.
 - ii) The ratio of the place's households in need to the place's total renter households. This ratio shows the **concentration of need** within a place.
 - b) Points are assigned to each place based on the **distribution of need** (maximum of 3.5 points) and **concentration of need** (maximum of 3.5 points) ratios using a sliding scale that compares each place's level of need to the region's other places.
 - c) The combined **distribution of need** and **concentration of need** points provide the area's AHNS.

Consideration of Urban and Rural Need

To assist with the rural and urban/exurban distribution of funds required under the RAF, each area and corresponding AHNS is classified according to the RAF's geographic area definitions.

Rural

1. A place that is outside the boundaries of a metropolitan statistical area (MSA);
2. or within the boundaries of a MSA, if the place has a population of 20,000 or less and does not share a boundary with a place that has a population greater than 20,000.

Urban/Exurban

1. Any place that does not satisfy the Rural place definition; or
2. an area located outside the boundaries of a place and in a census tract that has a population density greater than 1,200² people per square mile.

² 1,200 persons per square mile is approximately equal to the average population density of urban categorized places with a population less than 100,000.

5 a 1.

**THIS ITEM HAS BEEN PULLED
FROM THE AGENDA**



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MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

**Waxahachie Senior Apartments
2701 Hwy 287 Bypass
Waxahachie, Texas**

**Senior Apartments of Waxahachie, L.P.
187 Units**

Priority 2 – 100% of units at 60% AMFI

\$10,100,000 Tax Exempt – Series 2005

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	TDHCA Bond Resolution
TAB 3	HTC Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Map
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Public Hearing Transcript (February 24, 2005)

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
August 19, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Waxahachie Senior Apartments development.

Summary of the Waxahachie Senior Apartments Transaction

The pre-application for the 2004 Traditional CarryForward was received in October 2004. The application was scored and ranked by staff. The application was induced at the November 2004 Board meeting and submitted to the Texas Bond Review Board. The application received a Reservation of Allocation on December 29, 2004. Because this application was submitted in Traditional CarryForward the developer has three years to close the transaction instead of the usual 150 days. This application was submitted under the Priority 2 category which serves individuals and families at or below sixty (60%) AMFI. A public hearing was held on February 24, 2005. There were two people present at the hearing however neither made comment for the record. They asked questions for future information. A copy of the transcript is behind Tab 9 of this presentation. The proposed site will be located at 2301 Hwy 287 Bypass, Waxahachie, Ellis County, Texas.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in an amount of \$10,100,000. The bonds will be unrated and privately place with MuniMae Financial LLC. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months during which payment terms will be interest only, followed by an amortization schedule with a maturity date of August 1, 2045. The interest rate on the bonds from the date of issuance through and including March 1, 2007 will be 5.00% per annum followed by a permanent interest rate of 6.40% per annum thereafter until maturity.

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Waxahachie Senior Apartments development because of the quality of construction of the development as demonstrated by the plans and specifications, the feasibility of the development (as demonstrated by the commitments from the bond purchaser/equity provider and the underwriting report from the department's real estate analysis division) and the need of affordable housing in the Waxahachie area as demonstrated by the market study and appraisal reports.

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD MEMORANDUM
August 19, 2005

DEVELOPMENT: Waxahachie Senior Apartments, Waxahachie, Ellis County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2005 Private Activity Multifamily Revenue Bonds
(Reservation received December 29, 2004)

ACTION
REQUESTED:

Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1372, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Statute"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein. *(The Statute provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.)*

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Senior Apartments of Waxahachie, L.P., a Texas limited partnership (the "Owner" or "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a proposed multifamily residential rental development. The first series of Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental development

BOND AMOUNT: \$10,100,000 Series 2005 Tax Exempt Bonds (*)
\$10,100,000 Total Bonds

() The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.*

ANTICIPATED
CLOSING DATE:

The Department received a volume cap allocation for the Bonds on December 29, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before November 29, 2007, the anticipated closing date is August 30, 2005.

BORROWER: Senior Apartments of Waxahachie, L.P., a Texas limited partnership, the general partner of which is Waxahachie-GP Senior Apartments, LLC, a Texas limited liability company with 49% ownership held by Spectrum Housing, Inc., a Texas non-profit corporation, and the remaining ownership interest equally held by Robert L. Bullock, Gary D. Staats and Jimmy F. Rogers. MMA Financial, LLC, is an Investor Limited Partner of Borrower, and it or an affiliate thereof, will be providing the equity for the transaction by purchasing approximately a 99% limited partnership interest in the Borrower, MMA Special

Limited Partner, Inc. is a Special Limited Partner of Borrower.

COMPLIANCE HISTORY:

The Compliance Status Summary completed on June 6, 2005 reveals that the principals of the general partner above have a total of two (2) properties being monitored by the Department. One property has been monitored and does not have a material non-compliance score that is unacceptable and the other property has not been monitored at this time.

ISSUANCE TEAM/ADVISORS:

MuniMae Financial, LLC or an affiliate thereof (“Bond Purchaser”)
MMA Financial, LLC (“Equity Provider”)
The Bank of New York Trust Company, N.A. (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)

BOND PURCHASER:

The Bonds will be purchased by MuniMae TEI Holdings, LLC or an affiliate thereof. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

The Development is a 187-unit apartment community to be constructed on an approximate 10.4 acre site located at 2301 Hwy 287 Bypass, Waxahachie, Ellis County, Texas (the “Development”). The Development will consist of seven (7) three-story residential, wood-framed apartment buildings consisting of 75% brick veneer, 20% hardiplank and 5% stone veneer exteriors with a total of approximately 155,790 net rentable square feet and an average unit size of 833 square feet. The development will include a clubhouse with offices and kitchen facilities, a business center, a fitness room, a senior activity center with a theatre room and computer room, full perimeter fencing with controlled access, a community garden, barbeque grills with picnic tables, and a swimming pool. The unit amenities include microwave ovens, refrigerator with icemaker, range and oven, ceiling fans.

<u>Units</u>	<u>Unit Type</u>	<u>Sq Ft</u>	<u>Proposed Net</u>	<u>Rent</u>
91	1-Bed/1-Baths	714	\$660.00	60%
51	2-Bed/1-Baths	946	\$784.00	60%
45	2-Bed/2-Baths	946	\$784.00	60%
187	Total Units			

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each development will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will

be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals sixty percent (60%) of the area median income which is a Priority 2 category with the private activity bond program.

TENANT SERVICES:

Borrower have a supportive services coordinator on staff to conduct tenant programs for the residents. The provision of these services will be required pursuant to the Regulatory and Land Use Restriction Agreement (LURA).

DEPARTMENT ORIGINATION

FEES:

\$1,000 Pre-Application Fee (Paid)
\$10,000 Application Fee (Paid)
\$50,500 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

\$10,100 Bond Administration (0.10% of first year bond amount)
\$4,675 Compliance (\$25/unit/year adjusted annually for CPI).

ASSET OVERSIGHT FEE:

\$4,675 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow.)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$442,401 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$3,937,000 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser. The Bond Purchaser contemplates transferring the Bonds to a custodial or trust arrangement whereby beneficial interests in the Bonds will be sold in the form of trust certificates to Qualified Institutional Buyers or Accredited Investors.

The Bond Purchaser will be required to sign the Department's standard investor letter. Should the Bonds be transferred to a custodial trust, a slightly modified investor letter will be provided by the trust. During the construction and lease-up period, the Bonds will pay as to interest only.

BOND INTEREST RATES:

The interest rate on the bonds from the date of issuance to March 1,

2007 will be 5.0% per annum followed a permanent interest rate on the Bonds will be 6.40% per annum until maturity.

CREDIT

ENHANCEMENT:

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued in physical form and in denominations of \$100,000 or any amount in excess of \$100,000.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the Capitalized Interest Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a nonrecourse obligation of the Borrower (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. Deeds of Trust and related documents convey the Owner's interest in the Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds are subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) The Bonds are subject to mandatory redemption, in whole or in part (i) from any and all Receipts Requiring Mandatory Redemption, at a redemption price equal to 100% of the principal amount of Bonds being redeemed; and (ii) from moneys available for such purpose on deposit in the funds and accounts established by the Trust Indenture to the extent required.
- (b) The Bonds are subject to mandatory redemption, in part, following the Conversion Date, in the amount, if any, equal to the amount that the outstanding principal amount of the Bonds exceeds the permanent loan amount, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date.

Optional Redemption at Direction of Borrower:

- (a) From and after September 1, 2022 only, the Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, and only at the written direction of the Borrower, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date.

Optional Redemption at Direction of Servicing Agent and Holders:

- (a) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Servicing Agent, from and to the extent of amounts on deposit in the Construction Fund if construction of the Development has not lawfully commenced within sixty (60) days of the Closing Date, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest.
- (b) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds, upon the occurrence of an Event of Taxability, but only if so directed by the Holders in writing within ninety (90) days of the occurrence of the Event of Taxability, at a redemption price equal to 106% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date; provided, however, that the foregoing redemption premium shall not be payable if the Event of Taxability is solely the result of a change in the Code or the Regulations.
- (c) The Bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of 100% of the outstanding principal amount of the Bonds, at any time after the September 1, 2022, without premium, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed, plus interest accrued to the redemption date, but only if the Holders provide the Issuer, the Trustee and the Borrower with written notice of their election to require redemption of the Bonds at least one hundred and eighty (180) days prior to the date set for redemption.
- (d) The Bonds are subject to redemption, in whole, at the option of the Holders of 100% of the principal or Bonds outstanding in the event Conversion fails to occur by the Outside Conversion Date pursuant to the Indenture, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, The Bank of New York Trust company, N.A. (the "Trustee") will serve as registrar, and authenticating agent

for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will initially create up to ten (10) funds with the following general purposes:

1. Bond Proceeds Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Bond Proceeds Fund and immediately applied by the Trustee to other funds and accounts as required.
2. Revenue Fund – All payment upon the loan by the Borrower are deposited to the Revenue Fund and disbursed to its accounts for payment according to the amount required and time designated by the Trust Indenture – first to the Fee and Expense Account, second to the Tax and Insurance Account, third to the Interest Account, and forth to the Principal Account.
3. Borrower Equity Fund – Funds from sources other than Bond proceeds to pay for Costs of Issuance, capitalized interest and certain other costs relating to the acquisition and development of the Development.
4. Costs of Issuance Fund – Fund into which amounts for the payment of certain costs incurred in connection with the issuance of the bonds are deposited and disbursed.
5. Construction Fund – Fund into which amounts needed to complete construction of the improvements are deposited and disbursed.
6. Capitalized Interest Fund – Fund into which a portion of the proceeds of the bonds or borrower equity are deposited and used to fund the payment of interest during the construction period.
7. Lease-Up Fund – Funded from syndication proceeds or other funds provided by the Borrower other than proceeds of the Bonds. Such amount, plus other funds transferred therein pursuant to the Indenture, will be applied to pay the Operating Expenses of the Development to the extent that the Development's net cash flow is insufficient to pay such amounts. On or after the date which is the earlier of the Conversion Date and the Loan Equalization Payment Date, amounts remaining in the Lease-Up Fund will be used (i) first, to redeem Bonds if required pursuant to the terms of the Indenture and the Borrower does not pay or cause to be paid by the Guarantors under the Guaranty all amounts required to redeem Bonds; (ii) second, to pay any deferred and unpaid developer's fee; and (iii) third, the balance, if any, will be paid to the Borrower.

8. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
9. Replacement Fund – Fund into which amounts are held in reserve to cover replacement cost and ongoing maintenance to the Development.
10. Bond Proceeds Clearance Fund – Fund into which monies are transferred from the Bond Proceeds Account of the Construction Fund and the Bond Proceeds account of the Capitalized Interest Fund, as and when provided in the Indenture, and are applied, after completion of the project, either directly or after being transferred to the Principal Account of the Reserve Fund, to pay any unpaid or deferred developer’s fee and/or to redeem Bonds.

Essentially, all of the Bond proceeds will be deposited into the Bond Proceeds Fund, the Construction Fund and the Capitalized Interest Fund and disbursed there from during the Construction Phase (over 18 to 24 months) to finance the construction of the Development and to pay interest on the Bonds. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003.
2. Bond Trustee – The Bank of New York Trust Company, N.A. was selected as bond trustee by the Department pursuant to a request for proposal process in December 2003.
3. Financial Advisor – RBC Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in August 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to

the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 05-067

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (WAXAHACHIE SENIOR APARTMENTS PROJECT) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; 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, 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 individuals 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); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, 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 multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Waxahachie Senior Apartments Project) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and The Bank of New York Trust Company, N.A., a national banking association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Senior Apartments of Waxahachie, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on November 12, 2004, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan and Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original aggregate principal amount corresponding to the original aggregate principal amount of the

Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that the Borrower's obligations under the Note will be secured by the Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement (the "Deed of Trust") from the Borrower for the benefit of the Department and a Guaranty Agreement (the "Guaranty") from Robert L. Bullock, Jimmy Rogers and Gary D. Staats, for the benefit of the Department, the Trustee and the Servicing Agent; and

WHEREAS, the Department's interest in the Loan (except for certain reserved rights), including the Note, the Deed of Trust and the Guaranty, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Ellis County, Texas;

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Assignments, the Regulatory Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Deed of Trust and the Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Deed of Trust and the Note and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be (A) from the date of issuance through and including February 28, 2007, 5.00% per annum, and (B) from March 1, 2007 until the maturity date thereof, 6.40% per annum; provided, however, that the interest rate is subject to adjustment as set forth in the Indenture; provided further, that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate

permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be \$10,100,000; and (iii) the final maturity of the Bonds shall occur on August 1, 2045.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Financing Agreement. That the form and substance of the Financing Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Financing Agreement and deliver the Financing Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee.

Section 1.6--Acceptance of the Deed of Trust, the Note and the Guaranty. That the Deed of Trust, the Note and the Guaranty are hereby accepted by the Department.

Section 1.7--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Deed of Trust
- Exhibit F - Note
- Exhibit G - Guaranty
- Exhibit H - Assignments
- Exhibit I - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, 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 1.12--Authorized Representatives. That the following persons are each 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 Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department, and the Secretary to the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Borrower and reviewed by the Department as set forth in the Financing Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

Section 2.7—Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

ARTICLE III CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Project with, a housing 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) breached a contract with a public agency; 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 Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Financing Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal

thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--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 in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

(Signature Page Follows)

PASSED AND APPROVED this 19th day of August, 2005.

By: _____
Elizabeth Anderson, Chair

[SEAL]

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Senior Apartments of Waxahachie, L.P., a Texas limited partnership

Project: The Project is a 187-unit multifamily facility to be known as Waxahachie Senior Apartments and to be located at the south side of Highway 287 approximately $\frac{3}{4}$ of a mile west of the intersection of Ovilla Road and Highway 287 Bypass, Waxahachie, Ellis County, Texas 76165. The Project will consist of 7 three-story residential apartment buildings with approximately 155,790 net rentable square feet and an approximate average unit size of 833 square feet. The unit mix will consist of:

91	one-bedroom/one-bathroom units
51	two-bedroom/one-bath units
<u>45</u>	two-bedroom/two-bath units
187	Total Units

Unit sizes will range from approximately 714 square feet to approximately 946 square feet.

The Project will include a clubhouse with offices, a business/computer center, a fitness room, a community/senior activity room, a theatre room, kitchen facilities, and public restrooms. On-site amenities include a swimming pool. All individual units will have a washer/dryer connection, a microwave oven, a refrigerator with icemaker, a range and oven, and ceiling fans.

**Housing Tax Credit Program
Board Action Request
August 19, 2005**

Action Item

Request, review, and board determination of one (1) four percent (4%) tax credit application with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for a tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04610	Waxahachie Seniors	Waxahachie	TDHCA	187	187	\$15,499,472	\$10,100,000	\$442,401	\$442,401



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Waxahachie Senior Apartments, TDHCA Number 04610

BASIC DEVELOPMENT INFORMATION

Site Address: 2301 Hwy 287 Bypass Development #: 04610
 City: Waxahachie Region: 3 Population Served: Elderly
 County: Ellis Zip Code: 75165 Allocation:
 HTC Set Asides: At-Risk Nonprofit USDA HTC Purpose/Activity: NC
 HOME Set Asides: CHDO Preservation General
 Bond Issuer: TDHCA

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Senior Apartments of Waxahachie, LP
 Robert Bullock - Phone: (817) 446-4792
 Developer: Waxahachie GP Senior Apartments, LLC
 Housing General Contractor: To Be Determined
 Architect: GHLA, Inc.
 Market Analyst: Apartment Market Data
 Syndicator: MMA Financial, LLC
 Supportive Services: To Be Determined
 Consultant: KLT Associates, LP

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	Total Restricted Units:	187	
0	0	0	187	Market Rate Units:	0	
<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	Owner/Employee Units:	0
0	91	96	0	0	Total Development Units:	187
Type of Building:	5 units or more			Total Development Cost:	\$15,499,472	
Number of Residential Buildings:	7					

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
9% Housing Tax Credits-Credit Ceiling	\$0	\$0	0	0	0.00%
4% Housing Tax Credits with Bonds:	\$442,401	\$442,401	0	0	0.00%
Housing Trust Fund Loan Amount:	\$0	\$0	0	0	0.00%
HOME Fund Loan Amount:	\$0	\$0	0	0	0.00%
Bond Allocation Amount:	\$10,100,000	\$10,100,000	40	40	6.40%



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Waxahachie Senior Apartments, TDHCA Number 04610

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Averitt, District 22 [NC] Points: [0] US Representative: Barton, District 6,
TX Representative: Pitts, District 10 [NC] Points: [0] US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Joe Jenkins, Mayor - S Resolution of Support from Local Government [checked]
Jay Barksdale, Mayor Pro Tem - S Dr. Bobby E. Parker, Jr., WISD Superintendent - S
Chuck Beatty, City Councilman - S Dr. Joe Langley, President, WISD School Board -S

Individuals/Businesses: In Support: [0] In Opposition: [0]

Neighborhood Input:

General Summary of Comment:

CONDITIONS OF COMMITMENT

- 1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Acceptance by the Board of the anticipated likely redemption of up to \$365K in bonds at the conversion to permanent;
3. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

August 19, 2005

Development Information, Public Input and Board Summary

Waxahachie Senior Apartments, TDHCA Number 04610

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

9% HTC Competitive Cycle: Score: Meeting a Required Set-Aside Credit Amount: \$0

Recommendation: N/A

HOME Loan: Loan Amount: \$0

Recommendation: N/A

Housing Trust Fund Loan: Meeting a Required Set-Aside Loan Amount: \$0

Recommendation: N/A

4% Housing Tax Credits with Bond Issuance: Credit Amount: \$442,401

Recommendation: RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$442,401 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

Private Activity Bond Issuance with TDHCA: Bond Amount: \$10,100,000

Recommendation: RECOMMEND APPROVAL OF ISSUANCE OF UP TO \$10,100,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.4%, A REPAYMENT TERM OF 40 YEARS, AND A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

Waxahachie Senior Apartments

Estimated Sources & Uses of Funds

Sources of Funds

Series 2005 Tax-Exempt Bond Proceeds	\$ 10,100,000
Series 2005 Taxable Bond Proceeds	\$ 400,000
Tax Credit Proceeds	3,899,000
Deferred Developer's Fee	490,614
Estimated Interest Earning	144,081
Total Sources	<u>\$ 15,033,695</u>

Uses of Funds

Acquisition and Site Work Costs	\$ 1,851,048
Direct Hard Construction Costs	7,449,569
Other Construction Costs (General Require, Overhead, Profit)	1,460,591
Indirect Construction Costs	515,200
Developer Fees	1,677,455
Direct Bond Related	252,800
Bond Purchaser Costs	1,607,214
Other Transaction Costs	96,596
Real Estate Closing Costs	123,222
Total Uses	<u>\$ 15,033,695</u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 52,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	4,675
TDHCA Bond Administration Fee (2 years)	21,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Counsel	50,000
Trustee Fee	5,500
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	2,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	2,625
TEFRA Hearing Publication Expenses	
Total Direct Bond Related	<u>\$ 252,800</u>

Waxahachie Senior Apartments

Bond Purchase Costs	
MMA Financial Origination	262,500
MMA Financial Application and Bridge Loan Fees	25,000
MMA Financial Counsel	45,000
Construction Period Interest	741,133
Lease up Reserves	503,581
Contingency	30,000
Total Bond Purchase Costs	\$ 1,607,214

Other Transaction Costs	
Tax Credit Application and Determination Fees	96,596
Total Other Transaction Costs	\$ 96,596

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	76,222
Property Taxes and Insurance	47,000
Total Real Estate Costs	\$ 123,222

Estimated Total Costs of Issuance	\$ 2,079,832
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: August 11 , 2005 **PROGRAM:** MFB **FILE NUMBER:** 2004-060
4% HTC 04610

DEVELOPMENT NAME

Waxahachie Senior Apartments

APPLICANT

Name: Senior Apartments of Waxahachie, L.P. **Type:** For-profit
Address: 5601 Bridge Street, Suite 504 **City:** Fort Worth **State:** TX
Zip: 76112 **Contact:** Robert Bullock **Phone:** (817) 446-4792 **Fax:** (817) 446-0923

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Waxahachie-GP Senior Apartments, LLC	(%):	0.01	Title:	Managing General Partner
Name:	Waxahachie -GP Senior Apartments, LLC	(%):	N/A	Title:	Developer (to-be-formed)
Name:	Robert Bullock	(%):	N/A	Title:	33.3% owner of MGP & Developer
Name:	Jimmy Rodgers	(%):	N/A	Title:	33.3% owner of MGP & Developer
Name:	Gary Staats	(%):	N/A	Title:	33.3% owner of MGP & Developer
Name:	KLT Associates, LP (Tammie Goldston)	(%):	N/A	Title:	Consultant

PROPERTY LOCATION

Location: South side of Hwy 287 Bypass, 0.75 miles west of intersection of Ovilla Road & Hwy 287 Bypass QCT DDA
City: Waxahachie **County:** Ellis **Zip:** 75165

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$10,100,000	6.5%	40 yrs	42 yrs
2) \$442,401	N/A	N/A	N/A

Other Requested Terms: 1) Tax-exempt private activity mortgage revenue bonds. *Term will be limited to 40 years.
2) Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose: Elderly

RECOMMENDATION

RECOMMEND APPROVAL OF ISSUANCE OF UP TO \$10,100,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.4%, A REPAYMENT TERM OF 40 YEARS, AND A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

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- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$442,401 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Acceptance by the Board of the anticipated likely redemption of up to \$365K in bonds at the conversion to permanent;
2. Receipt, review, and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing;
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The subject was submitted and partially underwritten in the 2004 9% HTC cycle as application #04252. At that time the proposed development was on a different site and was composed of 100 units, of which 20 were to be market rate units. The previous application was withdrawn due to community opposition.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	187	# Rental Buildings	7	# Non-Res. Buildings	0	# of Floors	3	Age:	0 yrs	Vacant:	N/A	at / /
Net Rentable SF:	155,790	Av Un SF:	833	Common Area SF:	6,828	Gross Bldg SF:	162,618					

STRUCTURAL MATERIALS

The structures will be wood-framed on concrete slabs on grade. The exterior will be comprised of 75% brick veneer, 20% cement fiber siding, and 5% stone veneer. The interior wall surfaces will be drywall and the pitched roofs will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting and vinyl. Each unit will include: range and oven, hood and fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer and dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, central heating and air conditioning, and high-speed internet access.

ONSITE AMENITIES

The central building will feature a covered entryway leading to approximately 6,800 square feet of common areas which will include a large living room, an activity room with kitchen, management offices, fitness and maintenance facilities, restrooms, a library/computer center, a beauty salon, a theater, and a coffee bar. This building also has five residential units on the first floor and another 21 units on the second and third floors. This building is centrally located at the entrance to/middle of the property, and the swimming pool and community garden areas are located behind the central building in a courtyard formed by the other buildings. In addition, perimeter fencing with a limited access gate is planned for the site.

Uncovered Parking: 207 spaces **Carpools:** 50 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Waxahachie Senior Apartments is an 18-unit per acre new construction development of 187 units of affordable elderly housing located in far northwest Waxahachie. The development is comprised of seven medium and large, garden style, elevator-served residential buildings connected with enclosed corridors, as follows:

- One Building Type A with 17 one-bedroom/one-bath units, six two-bedroom/one-bath units, and three two-bedroom/two-bath units;
- One Building Type B with three one-bedroom/one-bath units, nine two-bedroom/one-bath units, and nine two-bedroom/two-bath units;
- One Building Type C with 20 one-bedroom/one-bath units, six two-bedroom/one-bath units, and six two-bedroom/two-bath units;

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- One Building Type D with three one-bedroom/one-bath units, six two-bedroom/one-bath units, and nine two-bedroom/two-bath units;
- One Building Type E with 25 one-bedroom/one-bath units, nine two-bedroom/one-bath units, and three two-bedroom/two-bath units;
- One Building Type F with three one-bedroom/one-bath units, nine two-bedroom/one-bath units, and nine two-bedroom/two-bath units; and
- One Building Type G with 20 one-bedroom/one-bath units, six two-bedroom/one-bath units, and six two-bedroom/two-bath units.

Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration. Six of the buildings (B-G) appear as three buildings as they are paired with common roofs and foundations and separated only by firewalls.

SITE ISSUES

SITE DESCRIPTION

Size: 10.402 acres 453,111 square feet **Flood Zone Designation:** Zone X
Zoning: PD-MF-2, conforming use

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Waxahachie is located in north central Texas, approximately 30 miles south of downtown Dallas in Ellis County. The site is a rectangularly-shaped parcel located in the northwestern area of the city, approximately five miles from the central business district. The site is situated on the south side of U.S. Highway 287 Bypass.

Adjacent Land Uses:

- **North:** U.S. Highway 287 Bypass immediately adjacent and vacant land and a commercial building beyond;
- **South:** vacant land immediately adjacent and a small lake beyond;
- **East:** vacant land immediately adjacent and a stream and more vacant land beyond; and
- **West:** vacant land.

Site Access: Access to the property is from the west from the Highway 287 frontage road, from which the development is to have a single entry. Highway 287 provides connections to all other major roads serving the Waxahachie area.

Public Transportation: Public transportation is not available in the Waxahachie area.

Shopping & Services: The site is located in an undeveloped area but is within three miles of a grocery/pharmacy and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on February 24, 2005 and found the location to be acceptable for the proposed development. The inspector noted that there is a cattle auction site and a church across Highway 287 from the site.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated January 23, 2005 was prepared by American Energy and Environmental Engineering, Inc. The report indicated that no issues of environmental concern exist and that no further environmental investigation is required.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

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MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$27,960	\$31,920	\$35,940	\$39,900	\$43,080	\$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2005 was prepared by Mark C. Temple & Associates, LLC (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The primary or defined market area for the Senior Apartments of Waxahachie is considered Ellis County...The secondary market area includes the surrounding counties within the north central Texas area. However, demand calculations are based on the primary market area for the purposes of this analysis” (p. II-1). This area encompasses 952 square miles and is equivalent to a circle with a radius of 17.4 miles.

Population:

- The estimated 2004 total population of the PMA was 126,258 and is expected to increase by 14.7% to approximately 144,765 by 2009. This population exceeds the TDHCA maximum PMA population guideline of 100,000 persons; the Market Analyst indicated that “...determination of the primary or defined market area was based upon interviews with city officials/planners and local real estate sources such as developers, brokers, and agents; a demographic analysis; an analysis of mobility patterns; and personal observations of the market analyst. In addition, feedback from the area senior center and medical center was used in this determination” (7/28/05 letter). In light of the special targeted population (elderly), the Underwriter regards this variance to be justifiable.
- The estimated 2004 *targeted* (age 55+) population of the PMA was 22,995 and is expected to increase by 14.7% to approximately 144,765 by 2009. Within the primary market area there were estimated to be 13,494 elderly households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 928 qualified households in the PMA, based on the current estimate of 14,111 households, the projected annual household growth rate of 4.6%, income-qualified households estimated at 17%, and an annual renter turnover rate of 30% (p. IV-2). The Market Analyst used an income band of \$22,440 to \$35,940. The Market Analyst included 100% of the senior population, rather than restricting demand to the 23.8% of seniors that are renters. Thus, the Market Analysts significantly overstated demand. In follow-up correspondence, the Market Analyst defends this methodology by saying “In follow-up reviews with sponsors and project managers of such senior tax credit projects, senior owner households comprise anywhere from 50 to 80+ percent of the resident base.” Anecdotal information such as this is far less reliable than data derived from resident surveys, data from demographic experts or census data, although the Underwriter was unable to find any such additional data.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	210 (2 years)	23%	26	13%
Resident Turnover	718	77%	171	87%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	928	100%	197	100%

Ref: p. IV-4

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 20.2% based upon 928 units of demand and 187 unstabilized affordable housing in the PMA (the subject) (p. IV-3). The Underwriter calculated an inclusive capture rate of 95% based upon a revised demand of 197 which included

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only existing renter households. Developments targeted toward seniors are allowed a capture rate of up to 100%, thus both estimates are acceptable.

Local Housing Authority Waiting List Information: “Verification with the Waxahachie Housing Authority indicates there is a lengthy waiting list for family and senior units.”(p. IV-5)

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment properties totaling 961 units in the market area. None of the comparable properties were elderly developments. (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$660	\$665	\$0	\$719	-\$59
2-Bedroom (60%)	\$784	\$789	\$0	\$866	-\$82

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

Primary Market Occupancy Rates:

- “The occupancy level of the market area is presently 98.9%.” (p. III-1)
- “The average occupancy level of the [two] LIHTC apartment projects was 100% with a waiting list.” (p. V-2)

Absorption Projections: “Based on current positive multifamily indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+% occupancy level can be achieved in 12-to-18 month timeframe.” (p. V-3)

Known Planned Development: “There currently are no apartment projects under construction in the Waxahachie market area.” (p. V-2)

Effect on Existing Housing Stock: “Being a senior LIHTC apartment project, it is viewed that the subject project will have no adverse effects on the existing projects within the PMA. Factors supporting this view include an annual increase of approximately 617 senior households through 2009...and overall strong occupancy and rental levels of all existing apartment projects within the market area...In addition, all of the affordable apartment projects are designated family. The subject project will be the only HTC affordable apartment project in the market area designated senior.” (7/28/05 letter)

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under HTC program guidelines, and are achievable according to the Market Analyst. The Applicant stated that the property will supply central water heating in this development, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result, the Applicant’s effective gross income estimate is comparable to the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$3,755 per unit is 11% lower than the Underwriter’s database-derived estimate of \$4,221 per unit for comparably-sized developments in this area. The Applicant’s budget shows two line item estimates, however, that deviate significantly when compared to the database averages, payroll (\$30.2K lower) and repairs and maintenance (\$27.5K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: Although the Applicant’s estimated income is consistent with the Underwriter’s expectations, the Applicant’s total operating expense and net operating income (NOI) estimates are not within 5% of the Underwriter’s estimates. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$675,652 by a reduction of the loan amount and/or a reduction in

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the interest rate and/or an extension of the term. At the terms specified in the permanent financing commitment this would reduce the serviceable tax-exempt bond amount to \$9,735,375, and the Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in an equivalent final anticipated bond amount.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 78.732 acres	\$519,630	Assessment for the Year of:	2004
Per acre:	\$6,600	Valuation by:	Ellis County Appraisal District
Total assessed value, 10.402 acres:	\$68,653	Tax Rate:	2.7039
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Commercial sales contract (10.4 acres)		
Contract Expiration Date:	8/ 31/ 2005	Anticipated Closing Date:	8/ 28/ 2005
Acquisition Cost:	\$906,048	Other Terms/Conditions:	\$35K earnest money + \$10K non-refundable closing extension payments
Seller:	Y 287 West Joint Venture	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION
<p><u>Acquisition Value:</u> The site cost of \$906,048 (\$2.00/SF, \$87,103/acre, or \$4,845/unit), although over 13 times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.</p> <p><u>Off-Site Costs:</u> The Applicant submitted an offsite cost breakdown exhibit certified by a third party architect listing \$334,870 in costs for water, sanitary sewer, and gas lines, manholes, and fire hydrants. These costs, however, are to be borne by the land seller and are not included in the development cost schedule.</p> <p><u>Sitework Cost:</u> The Applicant's claimed sitework costs of \$5,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.</p> <p><u>Direct Construction Cost:</u> The Applicant's direct construction cost estimate is \$350K or 4.5% lower than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as reasonable as submitted.</p> <p><u>Interim Financing Fees:</u> The Underwriter reduced the Applicant's eligible interim financing fees by \$95,300 to reflect an apparent overestimation of eligible construction loan interest, 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.</p> <p><u>Fees:</u> The Applicant's fees for the contractor and developer were set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of these fees now exceed the maximum by \$22,344 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.</p> <p><u>Conclusion:</u> The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted by the Underwriter, is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$12,742,846 is used to determine a credit allocation of \$449,822 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$7,421 more than requested due to the Applicant's use of a lower applicable percentage of 3.44% rather than the 3.53% underwriting rate used</p>

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for applications received in December 2004.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: MuniMae Portfolio Services, LLC **Contact:** Earl Cole III
Tax-Exempt Amount: \$10,100,000 **Interest Rate:** 5% prior to conversion, 6.4% following conversion
Additional Information:
Amortization: 40 yrs **Term:** 42.5 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$744,701 **Lien Priority:** 1st **Date:** 7/ 18/ 2005

TAX CREDIT SYNDICATION

Source: MMA Financial, LLC **Contact:** Marie Keutmann
Net Proceeds: \$3,937,000 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 89¢
Commitment: LOI Firm Conditional **Date:** 4/ 26/ 2005
Additional Information:

APPLICANT EQUITY

Amount: \$962,470 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and privately placed by MMA Financial, LLC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. Originally there was some discussion of a taxable tail series of bonds of up to \$400,000; however, the most recent commitment excludes this source of financing.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$962,470 amount to 57% of the total fees.

Financing Conclusions: Due to the difference in estimated net operating expenses, the Underwriter's debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed \$675,652 by a reduction of the permanent loan amount or a reduction in the interest rate or an extension of the term. This suggests a final loan amount of \$9,735,375.

Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$449,822 annually for ten years; however, as the Applicant has requested only \$442,401 this will be the recommended allocation, resulting in syndication proceeds of approximately \$3,937,000. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,827,097, which represents approximately 110% of the eligible fee. Therefore, a portion of the contractor fee of up to \$165K may also need to be deferred. The total deferred fees should be repayable from cash flow within fifteen years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer are related entities. These are common relationships for HTC-funded developments.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant, General Partner, and Developer are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principals of the General Partner and the Developer, Robert Bullock, Jimmy Rogers, and Gary Staats, submitted unaudited financial statements and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist

Underwriter:

Jim Anderson

Date: August 11, 2005

Director of Real Estate Analysis:

Tom Gouris

Date: August 11, 2005

MULTIFAMILY COMPARATIVE ANALYSIS

Waxahachie Senior Apartments, Waxahachie, MFB #2004-060/4% HTC #04611

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	91	1	1	714	\$748	\$660	\$60,029	\$0.92	\$88.34	\$63.00
TC 60%	51	2	1	946	898	\$784	39,967	0.83	114.34	69.00
TC 60%	45	2	2	946	898	\$784	35,265	0.83	114.34	69.00
TOTAL:	187		AVERAGE:	833	\$825	\$723	\$135,260	\$0.87	\$101.69	\$66.08

INCOME

Total Net Rentable Sq Ft: 155,790

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

% OF EGI PER UNIT PER SQ FT

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.52%	\$371	0.44
Management	3.50%	287	0.34
Payroll & Payroll Tax	10.71%	878	1.05
Repairs & Maintenance	4.71%	386	0.46
Utilities	4.90%	401	0.48
Water, Sewer, & Trash	4.69%	384	0.46
Property Insurance	2.54%	208	0.25
Property Tax 2.7039	11.55%	946	1.14
Reserve for Replacements	2.44%	200	0.24
Other: compl fees, spt svcs, securit	1.95%	160	0.19
TOTAL EXPENSES	51.50%	\$4,221	\$5.07
NET OPERATING INC	48.50%	\$3,974	\$4.77

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
Tax-Exempt Bonds	45.74%	\$3,748	\$4.50
Taxable Bonds	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	2.76%	\$226	\$0.27

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		5.83%	\$4,845	\$5.82
Off-Sites		0.00%	0	0.00
Sitework		6.02%	5,000	6.00
Direct Construction		49.88%	41,442	49.74
Contingency	3.30%	1.85%	1,533	1.84
General Req'ts	5.79%	3.24%	2,690	3.23
Contractor's G & A	1.93%	1.08%	897	1.08
Contractor's Profit	5.79%	3.24%	2,690	3.23
Indirect Construction		3.88%	3,224	3.87
Ineligible Costs		5.35%	4,449	5.34
Developer's G & A	1.96%	1.44%	1,196	1.44
Developer's Profit	12.71%	9.36%	7,774	9.33
Interim Financing		4.44%	3,688	4.43
Reserves		4.41%	3,661	4.39
TOTAL COST		100.00%	\$83,091	\$99.74
Recap-Hard Construction Costs		65.29%	\$54,253	\$65.12

SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
Tax-Exempt Bonds	65.00%	\$54,011	\$64.83
Taxable Bonds	2.57%	\$2,139	\$2.57
HTC Syndication Proceeds (MMA)	25.34%	\$21,053	\$25.27
Deferred Developer Fees	6.19%	\$5,147	\$6.18
Additional (Excess) Funds Req'd	0.89%	\$741	\$0.89
TOTAL SOURCES			

TDHCA	APPLICANT
\$1,623,125	\$1,623,120
33,660	33,660
0	0
\$1,656,785	\$1,656,780
(124,259)	(124,260)
0	0
\$1,532,526	\$1,532,520
\$69,284	\$59,600
53,638	61,301
164,186	134,006
72,131	44,640
75,059	55,200
71,808	52,884
38,948	43,268
176,970	183,570
37,400	37,400
29,885	30,385
\$789,309	\$702,254
\$743,217	\$830,266
\$700,957	\$744,701
0	0
0	0
\$42,260	\$85,565
1.06	1.11
1.10	

PER SQ FT	PER UNIT	% OF EGI
\$0.38	\$319	3.89%
0.39	328	4.00%
0.86	717	8.74%
0.29	239	2.91%
0.35	295	3.60%
0.34	283	3.45%
0.28	231	2.82%
1.18	982	11.98%
0.24	200	2.44%
0.20	162	1.98%
\$4.51	\$3,755	45.82%
\$5.33	\$4,440	54.18%
\$4.78	\$3,982	48.59%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.55	\$458	5.58%

RECOMMENDED	
\$9,735,375	Developer Fee Available
0	\$1,662,110
3,937,000	% of Dev. Fee Deferred
1,827,097	110%
0	15-Yr Cumulative Cash Flow
\$15,499,472	\$2,562,021

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Waxahachie Senior Apartments, Waxahachie, MFB #2004-060/4% HTC #04610

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.49	\$6,776,022
Adjustments				
Exterior Wall Finish	6.40%		\$2.78	\$433,665
Elderly	3.00%		1.30	203,281
Roofing			0.00	0
Subfloor			(0.68)	(105,418)
Floor Cover			2.00	311,580
Porches/Balconies	\$16.71	9,282	1.00	155,102
Plumbing	\$605	(52)	(0.20)	(31,460)
Built-In Appliances	\$1,650	187	1.98	308,550
Stairs	\$1,475	16	0.15	23,600
Enclosed Corridors	\$33.57	22,746	4.90	763,702
Heating/Cooling			1.53	238,359
Garages/Carports	\$8.18	10,000	0.53	81,800
Comm &/or Aux Bldgs	\$43.49	6,828	1.91	296,981
Elevators	\$46,500	4	1.19	186,000
SUBTOTAL			61.89	9,641,764
Current Cost Multiplier	1.12		7.43	1,157,012
Local Multiplier	0.88		(7.43)	(1,157,012)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.89	\$9,641,764
Plans, specs, survy, bld prmt	3.90%		(\$2.41)	(\$376,029)
Interim Construction Interest	3.38%		(2.09)	(325,410)
Contractor's OH & Profit	11.50%		(7.12)	(1,108,803)
NET DIRECT CONSTRUCTION COSTS			\$50.27	\$7,831,523

PAYMENT COMPUTATION

Primary	\$10,100,000	Amort	480
Int Rate	6.40%	DCR	1.06

Secondary	\$400,000	Amort	
Int Rate	9.00%	Subtotal DCR	1.06

Additional		Amort	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$675,652
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$67,565

Primary	\$9,735,375	Amort	480
Int Rate	6.40%	DCR	1.10

Secondary	\$0	Amort	0
Int Rate	9.00%	Subtotal DCR	1.10

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	\$1,623,125	\$1,671,819	\$1,721,973	\$1,773,633	\$1,826,842	\$2,117,810	\$2,455,122	\$2,846,160	\$3,825,000
Secondary Income	33,660	34,670	35,710	36,781	37,885	43,919	50,914	59,023	79,322
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,656,785	1,706,489	1,757,683	1,810,414	1,864,726	2,161,729	2,506,036	2,905,183	3,904,322
Vacancy & Collection Loss	(124,259)	(127,987)	(131,826)	(135,781)	(139,854)	(162,130)	(187,953)	(217,889)	(292,824)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,532,526	\$1,578,502	\$1,625,857	\$1,674,633	\$1,724,872	\$1,999,599	\$2,318,083	\$2,687,294	\$3,611,498
EXPENSES at 4.00%									
General & Administrative	\$69,284	\$72,055	\$74,938	\$77,935	\$81,053	\$98,613	\$119,978	\$145,971	\$216,073
Management	53,638	55,248	56,905	58,612	60,371	69,986	81,133	94,055	126,402
Payroll & Payroll Tax	164,186	170,753	177,584	184,687	192,074	233,688	284,317	345,915	512,039
Repairs & Maintenance	72,131	75,017	78,017	81,138	84,384	102,666	124,908	151,970	224,953
Utilities	75,059	78,061	81,184	84,431	87,808	106,832	129,977	158,137	234,082
Water, Sewer & Trash	71,808	74,680	77,668	80,774	84,005	102,205	124,348	151,289	223,944
Insurance	38,948	40,505	42,126	43,811	45,563	55,434	67,444	82,057	121,464
Property Tax	176,970	184,049	191,411	199,067	207,030	251,884	306,455	372,850	551,909
Reserve for Replacements	37,400	38,896	40,452	42,070	43,753	53,232	64,765	78,796	116,638
Other	29,885	31,080	32,324	33,617	34,961	42,536	51,751	62,963	93,201
TOTAL EXPENSES	\$789,309	\$820,345	\$852,607	\$886,142	\$921,002	\$1,117,075	\$1,355,077	\$1,644,003	\$2,420,704
NET OPERATING INCOME	\$743,217	\$758,157	\$773,250	\$788,491	\$803,870	\$882,524	\$963,006	\$1,043,291	\$1,190,794
DEBT SERVICE									
First Lien Financing	\$675,652	\$675,652	\$675,652	\$675,652	\$675,652	\$675,652	\$675,652	\$675,652	\$675,652
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	\$67,565	\$82,505	\$97,599	\$112,839	\$128,219	\$206,872	\$287,355	\$367,639	\$515,143
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.43	1.54	1.76

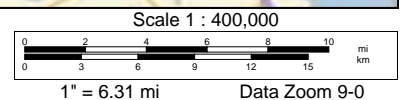
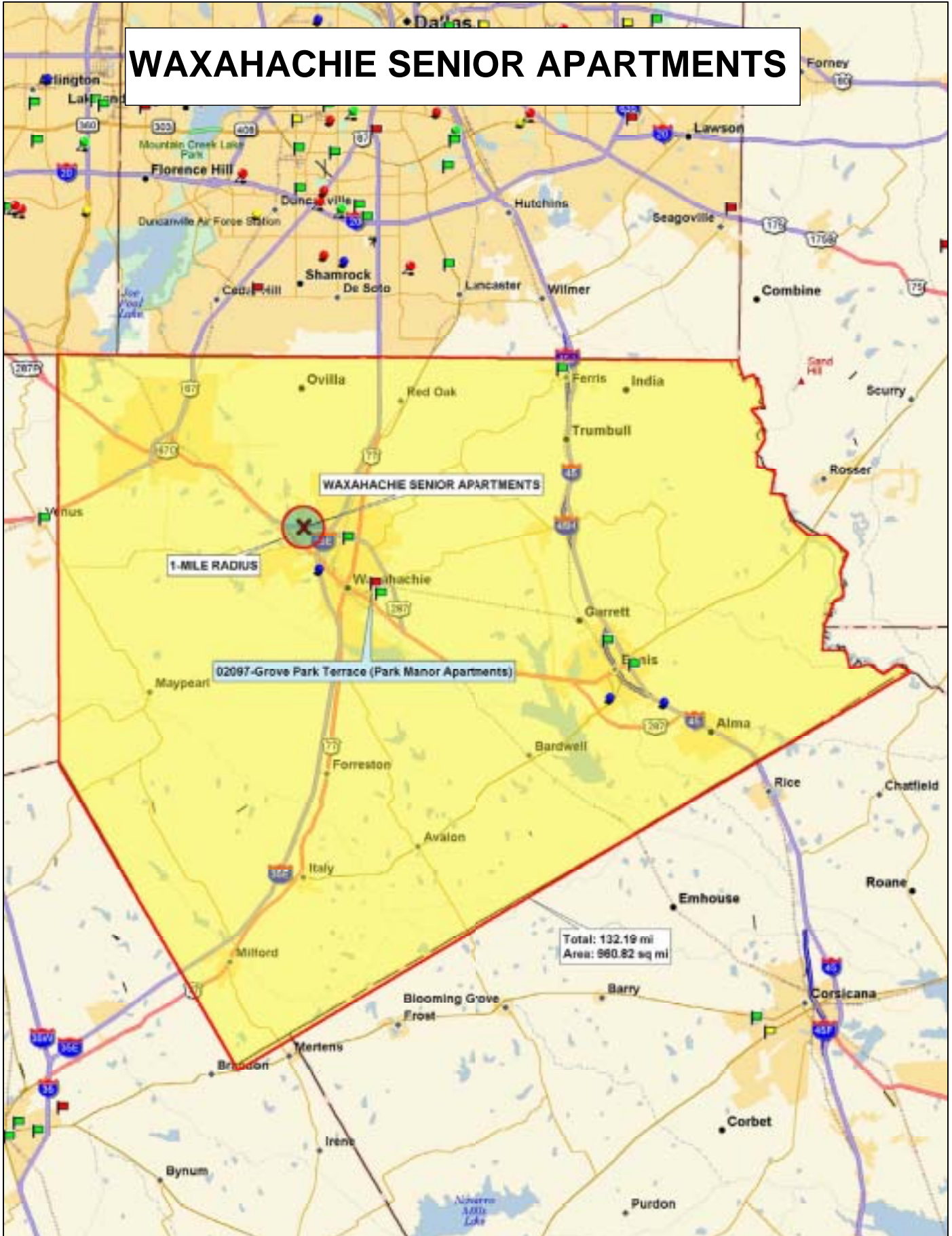
Waxahachie Senior Apartments, Waxahachie, MFB #2004-060/4% HTC #04610

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$906,048	\$906,048		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$935,001	\$935,001	\$935,001	\$935,001
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,399,571	\$7,749,723	\$7,399,571	\$7,749,723
(4) Contractor Fees & General Requirements				
Contractor overhead	\$167,691	\$167,691	\$166,691	\$167,691
Contractor profit	\$503,074	\$503,074	\$500,074	\$503,074
General requirements	\$503,074	\$503,074	\$500,074	\$503,074
(5) Contingencies				
	\$286,752	\$286,752	\$286,752	\$286,752
(6) Eligible Indirect Fees				
	\$602,850	\$602,850	\$602,850	\$602,850
(7) Eligible Financing Fees				
	\$689,722	\$689,722	\$689,722	\$689,722
(8) All Ineligible Costs				
	\$832,046	\$832,046		
(9) Developer Fees				
			\$1,662,110	
Developer overhead	\$223,661	\$223,661		\$223,661
Developer fee	\$1,453,794	\$1,453,794		\$1,453,794
(10) Development Reserves				
	\$996,188	\$684,672		
TOTAL DEVELOPMENT COSTS	\$15,499,472	\$15,538,107	\$12,742,846	\$13,115,342

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			\$12,742,846	\$13,115,342
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$12,742,846	\$13,115,342
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$12,742,846	\$13,115,342
Applicable Percentage			3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS			\$449,822	\$462,972

Syndication Proceeds	0.8899	\$4,003,045	\$4,120,061
Total Credits (Eligible Basis Method)		\$449,822	\$462,972
Syndication Proceeds		\$4,003,045	\$4,120,061
Requested Credits		\$442,401	
Syndication Proceeds		\$3,937,000	
Gap of Syndication Proceeds Needed		\$5,764,097	
Credit Amount		\$647,712	

WAXAHACHIE SENIOR APARTMENTS



RENT CAP EXPLANATION Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

MSA/County: Dallas Metro **Area Median Family Income (Annual):** \$65,100

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below				At or Below			
	50%	60%	80%		50%	60%	80%		50%	60%	80%	
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931	88.00	\$ 582	\$ 699	\$ 931	
2	26,600	31,920	42,550	1-Bedroom	623	748	997		535	660	909	
3	29,950	35,940	47,900	2-Bedroom	748	898	1,197		114.00	634	784	1,083
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383		864	1,037	1,383	
5	35,900	43,080	57,450	4-Bedroom	963	1,156	1,542		963	1,156	1,542	
6	38,550	46,260	61,700	5-Bedroom	1,064	1,277	1,701		1,064	1,277	1,701	
7	41,250	49,500	65,950									
8	43,900	52,680	70,200									
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$35,940 could not pay more than \$898 for rent and utilities under the affordable definition.

- 1) \$35,940 divided by 12 = **\$2,995** monthly income; then,
- 2) **\$2,995** monthly income times 30% = **\$898** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in *Figure 3* from the maximum total housing expense for each unit type found in *Figure 2*.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

Waxahachie Senior Apartments

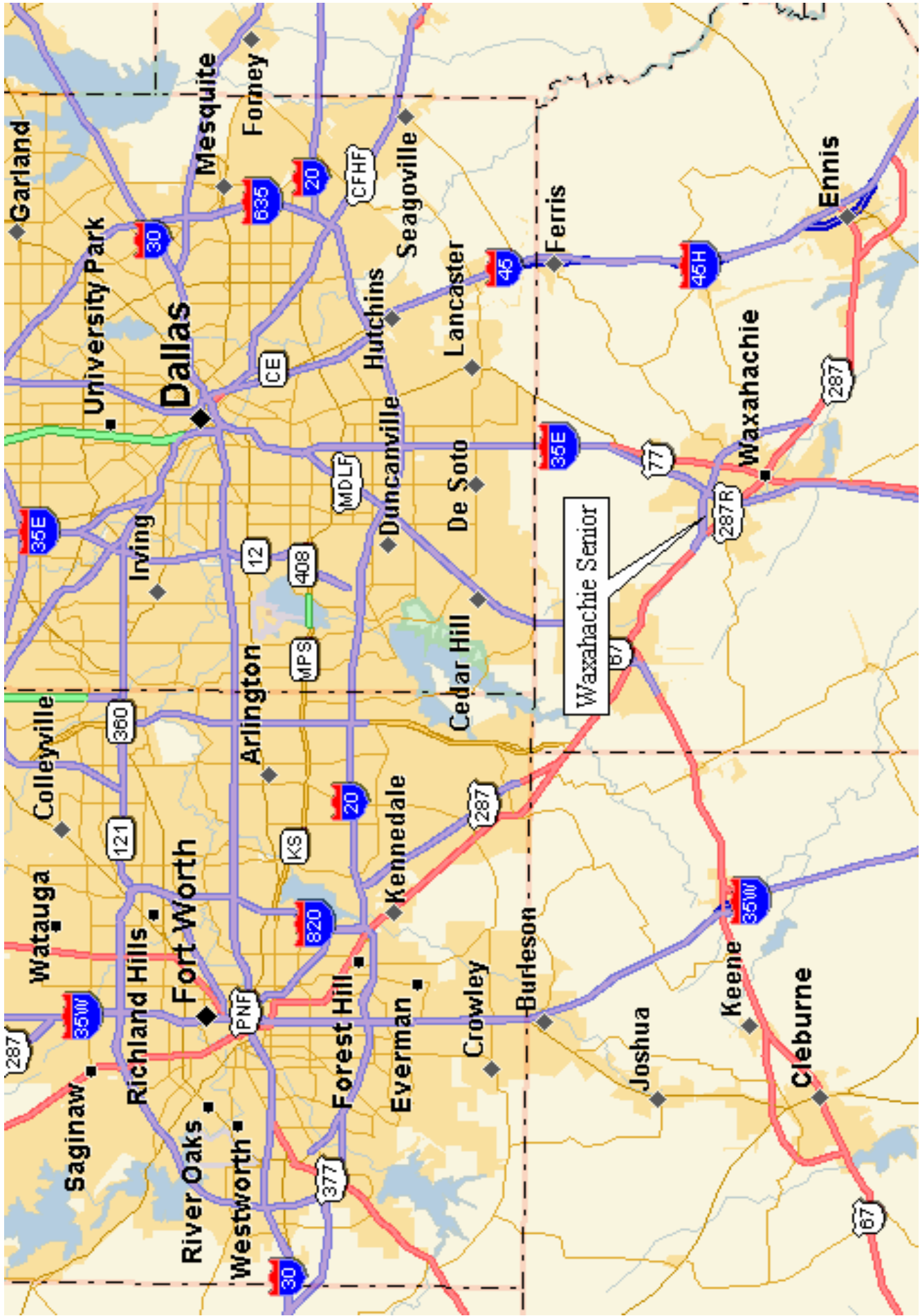
RESULTS & ANALYSIS: for 60% AMFI units

Tenants in the 60% AMFI bracket will **save \$15to \$86** per month (leaving **0.6% to 2.9%** more of their monthly income for food, child care and other living expenses).
 This is a monthly savings off the market rents of **2.2% to 9.9%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1/1	2/1	2/2
Square Footage	714	946	946
Rents if Offered at Market Rates	\$675	\$850	\$870
Rent per Square Foot	\$1.06	\$1.11	\$1.09

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 60% AMFI Set-Aside	\$660	\$784	\$784
Monthly Savings for Tenant	\$15	\$66	\$86
Rent per square foot	\$0.92	\$0.83	\$0.83
Maximum Monthly Income - 60% AMFI	\$2,660	\$2,995	\$2,995
Monthly Savings as % of Monthly Income	0.6%	2.2%	2.9%
% DISCOUNT OFF MONTHLY RENT	2.2%	7.8%	9.9%

Information provided by: Pacific Southwest Valuation, 5926 Balcones Drive, Suite 214, Austin, Texas, (512) 371-9027. Report dated: July 7, 2005.



Applicant Evaluation

Project ID # **04610**

Name: **Waxahachie Seniors**

City: **Waxahachie**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other
 No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 1
 Projects zero to nine: 1
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Projects in Material Noncompliance	
Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

monitored with a score less than thirty: 1
 # not yet monitored or pending review: 1

in noncompliance: 0
 Projects not reported Yes
 in application No
 # of projects not reported 0

Portfolio Monitoring

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Single Audit

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewed by Patricia Murphy

Date 8/9/2005

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer S. Roth
 Date 8/8/2005

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Paige McGilloway
 Date 8/4/2005

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Melissa M. Whitehead
 Date 8/9/2005

Executive Director: Edwina Carrington

Executed: nesday, August 10, 2005

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Waxahachie Senior Apartments

Public Hearing

<i>Total Number Attended</i>	2
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	0
<i>Total Number Neutral</i>	2
<i>Total Number that Spoke</i>	0

Public Officials Letters Received

<i>Opposition</i>	0
<i>Support</i>	5
<i>Mayor Joe Jenkins</i>	
<i>Mayor Pro Tem Jay Barksdale</i>	
<i>Councilman Chuck Berry</i>	
<i>WISD President Dr. Joe Langley</i>	
<i>WISD Superintendent Dr. Bobby E. Parker</i>	
<i>City Resolution in Support of the Development</i>	

General Public Letters and Emails Received

<i>Opposition</i>	0
<i>Support</i>	0

Summary of Public Comment

- 1 Appropriate location
- 2 Welcomed addition for the community
- 3 Much needed quality affordable housing for senior residents
- 4 Convenient to city amenities and activities
- 5 Will not impact the school system
- 6 Will encourage inter-generational relationships with volunteer programs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
WAXAHACHIE SENIOR APARTMENTS

PUBLIC HEARING

Cafeteria
Wedgeworth Elementary School
405 Solon Road
Waxahachie, Texas

February 24, 2005
7:00 p.m.

BEFORE :

ROBBYE G. MEYER, Multifamily Bond Administrator
TERESA MORALES, Housing Specialist

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

SPEAKER

PAGE

NONE

P R O C E E D I N G S

MS. MORALES: Good evening. My name is Teresa Morales. I would like to proceed with the public hearing.

Let the record show that is it 7:13 p.m., Thursday, February 24, 2005, and we are at the Wedgeworth Elementary School located at 405 Solon Road, Waxahachie, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue. No decisions regarding the development will be made at this hearing.

The Department's board is scheduled to meet to consider the transaction on May 12, 2005. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at any of their meetings. The Department's staff will also accept written comments from the public up to 5:00 p.m. on April 29, 2005.

The bonds will be issued as tax-exempt

multifamily revenue bonds in the aggregate principal not to exceed \$10,100,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Senior Apartments of Waxahachie, Limited Partnership, or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing community described as follows:

A 180-unit multifamily residential rental development to be constructed on approximately 10.4 acres of land located on the south side of the Highway 287 Bypass approximately three-quarters of a mile west of the intersection of Ovilla Road and the Highway 287 Bypass in Ellis County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

And I would like to bring your attention to the handout that you received at the very beginning. Like I said, we're here for the proposed development, the Waxahachie Senior Apartments.

The proposed development will consist of one three-story residential building. As I stated earlier, there are 180 total residential units. 112 of those will be one-bedroom one-bath units with an average square footage of 714; 68 of those units will be two-bedroom one-bath units with an average square footage of 946.

As far as the income restrictions, 100 percent of the units will serve seniors at 60 percent of the area median family income. For 2004, the area median family income for the Dallas MSA, the metropolitan statistical area, was 65,100. And a family of two, at the 60 percent level could earn no more than the combined income of 31,920 to qualify to live in this development.

The proposed rents for the Waxahachie Senior Apartments, for a one-bedroom rent at the 60 percent AMFI, is \$667 and for the two-bedroom, the maximum rent at 60 percent at \$796.

As I had mentioned earlier, you can provide comments this evening, or we will also take written comments by fax, email or regular mail. And the deadline to do so is 5:00 p.m. on April 29, 2005. Like I said earlier, the board meeting that this particular transaction is proposed is scheduled for May 12, 2005.

In the last page of the handout, there's some

contact information. If you do wish to submit any comments for this particular development, you can address them to Ms. Robbye Meyer and the contact information is on there as well.

I would like to now open the floor up for public comment. If either of you would like to speak, you're more than welcome to do so. Would you like to speak?

VOICE: No.

MS. MORALES: Okay. That's fine. The meeting is now adjourned, and the time is 7:16 p.m.

(Whereupon, at 7:16 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Waxahachie Senior Apartments

LOCATION: Waxahachie, Texas

DATE: February 24, 2005

I do hereby certify that the foregoing pages, numbers 1 through 7, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joan Wong before the Texas Department of Housing and Community Affairs.

03/07/2005

(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Item

Presentation, Discussion and Possible Approval of Qualified Trustees for the Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve or Deny the addition of US Bank to the list of Approved Trustees.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Request for Qualifications (RFQ) for qualified institutions to serve as Trustees for the multifamily bond issues and/or refundings. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit institutions to serve in the role of Trustee. The Department currently has four (4) approved trustees on the list. The four Trustees currently on the approved list are: Wells Fargo Bank Texas, N.A.; JP Morgan Chase Bank of Texas; Wachovia Bank, National Association and The Bank of New York (Dallas office). The Department received a proposal from US Bank on July 18, 2005. The US Bank has multifamily housing experience in several states including Texas and has an office located in Texas that would have staff dedicated to TDHCA. Staff has reviewed the qualifications of US Bank, which sufficiently satisfy the RFQ requirements.

Institution	Role	Requested Action
US Bank	Trustee	Recommended

Recommendation

The Board approve the addition of the US Bank to the Multifamily Bond Approved Trustee list.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Item

Inducement resolution for Multifamily Revenue Bonds and Authorization for Filing Applications for the Year 2005 Private Activity Bond Authority for two (2) applications – Waiting List.

Requested Action

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2005 Private Activity Bond Program for two (2) applications.

Background

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$389 million will be set aside for the use of multifamily development until August 15, 2005 for the 2005 program year. The lottery held on November 4, 2004 had a decrease of approximately ninety (90) applications from the 2004 program year. Due to the large amount of authority to be Carried Forward into 2005 and the decrease in applications for the 2005 program year, it is expected that there will be a shortage of applications to use the full state issuance authority. The Department will be accepting applications for the 2005 Waiting List through October of 2005.

This Inducement Resolution includes two (2) applications that were received by July 5, 2005. These applications will be added to the 2005 Waiting List. Each application is reviewed, scored and ranked according to the Department's published scoring criteria. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board for placement on the 2005 Waiting List. The Department currently has thirteen (13) applications previously approved for the 2005 Waiting List, twelve of which have received reservations. It is anticipated that there will be at least \$750 million in bond allocation available on August 15th.

Willow Creek Apartments – This application was previously submitted for the 2004 Waiting List. The applicant failed to have the sign installed on the property as required by the rules and subsequently withdrew the application. The Application is now being resubmitted and has followed all notification requirements. The application does have strong opposition from the residents of the adjacent community and local/state elected officials. The proposed development will be located in the ETJ of Houston, Harris County, south of the city of Tomball at the SW corner of the intersection of Northpointe Boulevard and Highway 249. Demographics for the census tract include AMFI of \$69,569; the total population is 9,143; the percent of population that is minority is 21.2%; the percent of population that is below the poverty line is 8.4%, the number of owner occupied units is 2,544; the number of renter units is 516 and the number of vacant units is 258. (census information from FFIEC Geocoding for 2005)

Skyline at City Park Apartments – The proposed development will be located at 8038 Gatehouse Drive, Houston, Texas. Demographics for the census tract include AMFI of \$38,978; the total population is 3,410; the percent of the population that is minority is 79.12%; the percent of population that is below the poverty line is 18.37%; the number of owner occupied units is 798; the number renter occupied units is 254 and the number of vacant units is 132. (census information from FFIEC Geocoding for 2005)



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**REQUEST FOR BOARD ACTION
Multifamily Finance Production**

2005 Private Activity Bond Program – Waiting List

**1 Priority 1C Application
1 Priority 2 Application
2 Total Applications Received**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation – August 19, 2005
TAB 2	Summary of Applications
TAB 3	Inducement Resolution
TAB 4	Prequalification Analysis Worksheets

Recommendation

Approve the Inducement Resolution as presented by staff. This will allow the applicants the opportunity to substantiate the need for affordable housing in the area and present their product to the community and the Board. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process of each individual application.

Texas Department of Housing and Community Affairs

2005 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units	Bond Amount	Developer Information	Comments
2005-043	Willow Creek Apartments 11743 Northpointe Boulevard	248	\$ 14,600,000	Willow Creek Apartments, LP Mark Bower	Recommend
Priority 1C	City: Tomball County: Harris <i>New Construction</i>	General	Score = 46.5	5430 Holly Road, Suite 8 Corpus Christi, Texas 78411 (361) 980-1220	
2005-045	Skyline at City Park Apartments 1500-2500 block of Orem Drive	248	\$ 13,300,000	Skyline at City Park, LP Mark Bower	Recommend
Priority 2	City: Houston County: Harris <i>New Construction</i>	General	Score = 59.0	5430 Holly Road, Suite 8 Corpus Christi, Texas 78411 (361) 980-1220	
Totals for Recommended Applications		496	\$ 27,900,000		

RESOLUTION NO. 05-068

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL PROJECTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

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, 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); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, 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 multifamily residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multi-family residential rental developments (each a "Project" and collectively, the "Projects") as more fully described in Exhibit "A" attached hereto. The ownership of each Project as more fully described in Exhibit "A" will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Project and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Project from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Project will be occupied at all times by eligible tenants, as determined by the Board of the Department pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Project will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Project listed on Exhibit "A" attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Project described on Exhibit "A" attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Project an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Project is not dependent or related to the issuance of Bonds (as defined below) for any other Project and that a separate Application shall be filed with respect to each Project; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Project on the terms and conditions hereinafter set forth; NOW, THEREFORE,

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

Section 1--Certain Findings. The Board finds that:

- (a) each Project is necessary to provide decent, safe and sanitary housing at rentals that eligible tenants can afford;
- (b) each Owner will supply, in its Project, well-planned and well-designed housing for eligible tenants;
- (c) the financing of each Project pursuant to the provisions of the Act will constitute a public purpose and will provide a public benefit;
- (d) each owner is financially responsible; and
- (e) each Project will be undertaken within the authority conferred by the Act upon the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Project in an aggregate principal amount not to exceed those amounts, corresponding to each respective Project, set forth in Exhibit "A"; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental project bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Project; (iii) approval by the Bond Review Board, if required; (iv) approval by the Texas Attorney General; (v) satisfaction of the Board that each Project meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Project and listed on Exhibit "A" attached hereto ("Costs of each respective Project") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction of its Project, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction of its Project; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Project will not exceed the amount set forth in Exhibit "A" which corresponds to its Project.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction of its Project, which Project will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Project and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Project, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Project. Substantially all of the proceeds of the Bonds shall be used to finance the Projects, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Project.

Section 9--Costs of Project. The Costs of each respective Project may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Project. Without limiting the generality of the foregoing, the Costs of each respective Project shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Project, administrative expenses and such other expenses as

may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Project, the placing of the Project in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Project incurred by it prior to issuance of the Bonds and will pay all costs of its Project which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State of Texas, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Project will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Project will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Texas Bond Review Board, if required, and the Attorney General of the State of Texas.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Project will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Project's necessary review and legal documentation for the filing of an Application for the 2005 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Project may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Project which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end

that the Bonds issued to reimburse Costs of each respective Project may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--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 in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 19th day of August, 2005.

[SEAL]

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

EXHIBIT "A"

Description of each Owner and its Project

Project Name	Owner	Principals	Amount Not to Exceed
Skyline at City Park Apartments	Skyline at City Park, LP	Skyline at City Park Group, LLC, the General Partner, to be formed, or other entity, the Sole Member of which will be Cynosure Properties, L.P., a formed entity, or other entity, the General Partner of which will be Cynosure Partners, LLC, a formed entity, or other entity, the Members of which will include Mark T. Bower and/or Daniel R. Sereni, or other entity	\$13,300,000
Costs: (i) acquisition of real property located approximately between the 1500 and 2500 blocks of Orem Drive, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 248-unit multifamily residential rental housing project, in the amount not to exceed \$13,300,000.			
Project Name	Owner	Principals	Amount Not to Exceed
Willow Creek Apartments	Willow Creek Apartments, LP	Willow Creek Apartments Group, L.L.C., the General Partner, a formed entity, or other entity, the Sole Member of which will be Cynosure Properties, L.P., a formed entity, or other entity, the General Partner of which will be Cynosure Partners, LLC, a formed entity, or other entity, the Members of which will include Mark T. Bower and/or Daniel R. Sereni, or other entity	\$14,600,000
Costs: (i) acquisition of real property located at approximately 11743 Northpointe Boulevard, Tomball, Harris County, Texas; and (ii) the construction thereon of an approximately 248-unit multifamily residential rental housing project, in the amount not to exceed \$14,600,000.			

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
MULTIFAMILY FINANCE DIVISION
PREQUALIFICATION ANALYSIS**

Willow Creek Apartments, Tomball (#2005-043) Priority 1C

Unit Mix and Rent Schedule					
Unit Type	Beds/Bath	# Units	Rents	Unit Size S.F.	Rent/S.F.
60% AMI	1BD/1BA	60	\$ 686	675	1.02
60% AMI	2BD/2BA	32	\$ 823	962	0.86
60% AMI	2BD/2BA	72	\$ 727	998	0.73
60% AMI	3BD/2BD	84	\$ 951	1,100	0.86
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
Totals		248	\$ 2,396,688	235,540	\$ 0.85
Averages			\$ 805	950	

Uses of Funds/Project Costs				
	Costs	Per Unit	Per S.F.	Percent
Acquisition	\$ 2,697,344	\$ 10,876	\$ 11.45	0.13
Off-sites	309,229	1,247	1.31	0.01
Subtotal Site Costs	\$ 3,006,573	\$ 12,123	\$ 12.76	0.14
Sitework	1,785,754	7,201	7.58	0.09
Hard Construction Costs	9,467,343	38,175	40.19	0.45
General Requirements (6%)	675,186	2,723	2.87	0.03
Contractor's Overhead (2%)	225,062	908	0.96	0.01
Contractor's Profit (6%)	675,186	2,723	2.87	0.03
Construction Contingency	0	0	0.00	0.00
Subtotal Construction	\$ 12,828,531	\$ 51,728	\$ 54.46	0.62
Indirect Construction	814,256	3,283	3.46	0.04
Developer's Fee	2,471,717	9,967	10.49	0.12
Financing	1,555,691	6,273	6.60	0.07
Reserves	175,000	706	0.74	0.01
Subtotal Other Costs	\$ 5,016,664	\$ 20,228	\$ 21	0
Total Uses	\$ 20,851,768	\$ 84,080	\$ 88.53	1.00

Applicant - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,944,752	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 14,600,000	6.00%	30	\$1,050,413
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee		0.0%	\$2,471,717	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 100	Cash Equity - GP	\$ -	
Total Sources	\$ 19,544,852			\$1,050,413

TDHCA - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,944,752	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 14,600,000	6.00%	30	\$ 1,050,413
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 1,306,916	52.9%	\$ 1,164,801	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 100		\$ -	
Total Sources	\$ 20,851,768			\$ 1,050,413

Applicant - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$2,396,688	\$10.18		
Other Income & Loss	44,640	0.19	180	
Vacancy & Collection	-6.82% (166,560)	-0.71	-672	
Effective Gross Income	\$2,274,768	9.66	9,172	
Total Operating Expenses	\$882,622	\$3.75	\$3,559	
Net Operating Income	\$1,392,146	\$5.91	\$5,613	
Debt Service	1,050,413	4.46	4,236	
Net Cash Flow	\$341,734	\$1.45	\$1,378	
Debt Coverage Ratio	1.33			
TDHCA/TSAHC Fees	\$0	\$0.00	\$0	
Net Cash Flow	\$341,734	\$1.45	\$1,378	
DCR after TDHCA Fees	1.33			
Break-even Rents/S.F.	0.68			
Break-even Occupancy	80.65%			

TDHCA - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$2,396,688	\$10.18		
Other Income & Loss	44,640	0.19	180	
Vacancy & Collection	7.50% (183,100)	-0.78	-738	
Effective Gross Income	\$2,258,228	9.59	9,106	
Total Operating Expenses	41.7% \$942,400	\$4.00	\$3,800	
Net Operating Income	\$1,315,828	\$5.59	\$5,306	
Debt Service	1,050,413	4.46	4,236	
Net Cash Flow	\$265,416	\$1.13	\$1,070	
Debt Coverage Ratio	1.25			
TDHCA/TSAHC Fees	\$0.00	\$0		
Net Cash Flow	\$265,416	\$1.13	\$1,070	
DCR after TDHCA Fees	1.25			
Break-even Rents/S.F.	0.71			
Break-even Occupancy	83.15%			

Applicant - Annual Operating Expenses			
		Per S.F.	Per Unit
General & Administrative Expenses	\$85,165	0.36	343
Management Fees	101,995	0.43	411
Payroll, Payroll Tax & Employee Exp.	233,266	0.99	941
Maintenance/Repairs	81,200	0.34	327
Utilities	41,400	0.18	167
Property Insurance	62,496	0.27	252
Property Taxes	223,900	0.95	903
Replacement Reserves	49,600	0.21	200
Other Expenses	3,600	0.02	15
Total Exepnses	\$882,622	\$3.75	\$3,559

Staff Notes/Comments
Other expenses include security and miscellaneous.

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
MULTIFAMILY FINANCE DIVISION
PREQUALIFICATION ANALYSIS**

Skyline at City Park, Houston (#2005-045) Priority 2

Unit Mix and Rent Schedule					
Unit Type	Beds/Bath	# Units	Rents	Unit Size S.F.	Rent/S.F.
60% AMI	1BD/1BA	54	\$ 686	675	1.02
60% AMI	2BD/2BA	20	\$ 823	962	0.86
60% AMI	2BD/2BA	72	\$ 823	998	0.82
60% AMI	3BD/2BA	78	\$ 951	1,100	0.86
30% AMI	1BD/1BA	6	\$ 343	675	0.51
30% AMI	2BD/2BA	12	\$ 411	962	0.43
30% AMI	3BD/2BA	6	\$ 475	1,100	0.43
					0.00
					0.00
					0.00
					0.00
					0.00
Totals		248	\$ 2,361,336	235,540	\$ 0.84
Averages			\$ 793	950	

Uses of Funds/Project Costs				
	Costs	Per Unit	Per S.F.	Percent
Acquisition	\$ 1,372,140	\$ 5,533	\$ 5.83	0.07
Off-sites	309,229	1,247	1.31	0.02
Subtotal Site Costs	\$ 1,681,369	\$ 6,780	\$ 7.14	0.09
Sitework	1,785,754	7,201	7.58	0.09
Hard Construction Costs	9,467,343	38,175	40.19	0.49
General Requirements (6%)	675,186	2,723	2.87	0.03
Contractor's Overhead (2%)	225,062	908	0.96	0.01
Contractor's Profit (6%)	675,186	2,723	2.87	0.03
Construction Contingency	0	0	0.00	0.00
Subtotal Construction	\$ 12,828,531	\$ 51,728	\$ 54.46	0.66
Indirect Construction	814,256	3,283	3.46	0.04
Developer's Fee	2,467,236	9,949	10.47	0.13
Financing	1,514,051	6,105	6.43	0.08
Reserves	175,000	706	0.74	0.01
Subtotal Other Costs	\$ 4,970,543	\$ 20,043	\$ 21	0
Total Uses	\$ 19,480,443	\$ 78,550	\$ 82.71	1.00

Applicant - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,935,788	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 13,300,000	6.00%	30	\$ 956,883
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee		0.0%	\$2,467,236	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 100	Cash Equity - GP	\$ -	
Total Sources	\$ 18,235,888			\$ 956,883

TDHCA - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,935,788	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 13,300,000	6.00%	30	\$ 956,883
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 1,244,555	50.4%	\$ 1,222,681	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 100		\$ -	
Total Sources	\$ 19,480,443			\$ 956,883

Applicant - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$2,361,336	\$10.03		
Other Income & Loss	44,640	0.19	180	
Vacancy & Collection	-6.55%	(157,692)	-0.67	-636
Effective Gross Income	\$2,248,284	9.55	9,066	
Total Operating Expenses	\$882,155	\$3.75	\$3,557	
Net Operating Income	\$1,366,129	\$5.80	\$5,509	
Debt Service	956,883	4.06	3,858	
Net Cash Flow	\$409,247	\$1.74	\$1,650	
Debt Coverage Ratio	1.43			
TDHCA/TSAHC Fees	\$0	\$0.00	\$0	
Net Cash Flow	\$409,247	\$1.74	\$1,650	
DCR after TDHCA Fees	1.43			
Break-even Rents/S.F.	0.65			
Break-even Occupancy	77.88%			

TDHCA - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$2,361,336	\$10.03		
Other Income & Loss	44,640	0.19	180	
Vacancy & Collection	7.50%	(180,448)	-0.77	-728
Effective Gross Income	2,225,528	9.45	8,974	
Total Operating Expenses	42.3%	\$942,400	\$4.00	\$3,800
Net Operating Income	\$1,283,128	\$5.45	\$5,174	
Debt Service	956,883	4.06	3,858	
Net Cash Flow	\$326,245	\$1.39	\$1,316	
Debt Coverage Ratio	1.34			
TDHCA/TSAHC Fees	\$0.00	\$0		
Net Cash Flow	\$326,245	\$1.39	\$1,316	
DCR after TDHCA Fees	1.34			
Break-even Rents/S.F.	0.67			
Break-even Occupancy	80.43%			

Applicant - Annual Operating Expenses			
		Per S.F.	Per Unit
General & Administrative Expenses	\$85,165	0.36	343
Management Fees	96,524	0.41	389
Payroll, Payroll Tax & Employee Exp.	233,266	0.99	941
Maintenance/Repairs	81,200	0.34	327
Utilities	41,400	0.18	167
Property Insurance	67,500	0.29	272
Property Taxes	223,900	0.95	903
Replacement Reserves	49,600	0.21	200
Other Expenses	3,600	0.02	15
Total Expenses	\$882,155	\$3.75	\$3,557

Staff Notes/Comments
Other expenses include security and miscellaneous.

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Items

Request approval of five (5) 2005 HOME Investment Partnerships (HOME) Program applications for Contract for Deed Conversions, for total awards in the amount of \$2,589,600.

Required Action

Approve the five (5) 2005 HOME Investment Partnerships (HOME) Program applications for Contract for Deed Conversions.

Background and Recommendations

Summary

In January 2005 Single Family Finance Production released a Notice of Funding Availability (NOFA) making available approximately \$6 million in HOME Program funds for Contract for Deed Conversions (CFD) in an Open Application Cycle. Five (5) applications have been submitted to the Department requesting funding under this cycle. The State HOME rules include a minimum score requirement based on 60% of the total score to be considered for a funding recommendation. This requirement equates to 65.4 points. Applicants that did not pass the minimum score requirement were not eligible for recommendations. Scoring criteria is based on, but not limited to, a needs assessment, program design, and applicant capability and financial feasibility. The applicants and recommended funding is summarized below:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested
2005-0208	The Latino Education Project, Incorporated	10	CFD	\$500,000	\$20,000	8
2005-0212	Pecos County	12	CFD	\$500,000	\$20,000	10
2005-0214	El Paso Collaborative for Community and Economic Development	13	CFD	\$500,000	\$20,000	10
2005-0215	The Housing Authority of the City of Del Rio	11	CFD	\$495,000	\$19,800	9
2005-0216	Alianza Para El Desarrollo Comunitario, Inc.	13	CFD	\$495,000	\$19,800	9
				\$2,490,000	\$99,600	46

Project Funds Recommended: \$2,490,000
Administrative Funds Recommended: \$ 99,600
Total Funds Recommended: \$2,589,600

Upon Board approval of the five applicants listed above, a balance of \$3,510,000 will remain. Applicants have been informed that this funding cycle is deemed open until the end of the fiscal year. The Department will accept applications up to August 31, 2005. After August 31, 2005, any remaining dollars will be included in the Single Family HOME NOFA in 2006. These funds will no longer be set

aside specifically for Contract for Deed Conversions; however, a new NOFA is anticipated to be released for CFD in an Open Funding Cycle in early 2006 for approximately \$2 million.

Recommendation

Staff recommends approval of five (5) 2005 HOME Investment Partnerships (HOME) Program applications for Contract for Deed Conversions. Staff also recommends and requests approval of 4% administrative funds to all five applicants, based on the amount of project dollars recommended. Awarded applicants will be working with the Office of Colonia Initiatives (OCI) in the daily administration of CFD HOME contracts.

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

August 19, 2005

Action Items

Request approval of five (5) 2005 Disaster Relief Program Award Recommendations for Owner Occupied Assistance (OCC) utilizing deobligated HOME funds, for total awards in the amount of \$2,368,600.

Required Action

Approve the Disaster Relief Program Award Recommendations.

Background and Recommendations

Summary

Five (5) Disaster Relief Program applications were submitted to the Department requesting funding under the State Declared disaster for severe storms and flooding which occurred on November 15, 2004 through December 4, 2004. The applicants and recommended funding is summarized below:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested
DR2005-0001	Wharton County	6	OCC	\$500,000	\$20,000	9
DR2004-0207	Newton County	5	OCC	\$479,000	\$19,160	13
DR2004-0209	Hardin County	5	OCC	\$303,500	\$12,140	5
DR2004-0210	City of Wharton	6	OCC	\$495,000	\$19,800	9
DR2004-0211	City of El Campo	6	OCC	\$500,000	\$20,000	9
				\$2,277,500	\$ 91,100	45

Project Funds Recommended: \$2,277,500
Administrative Funds Recommended: \$ 91,100
Total Funds Recommended: \$2,368,600

Recommendation

Staff recommends approval of five (5) Disaster Relief Program applications for Owner Occupied Housing Assistance utilizing HOME deobligated funds. As of August 3, 2005 the Department had available \$2,432,835 in deobligated funds. The approval of these recommendations will result in a balance of \$155,353 in deobligated funds. These awards are in accordance with the TDHCA Deobligation Policy, adopted by the Board on January 17, 2002. Staff also recommends and requests approval of 4% administrative funds to all five applicants, based on the amount of project dollars recommended.

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST AUGUST 19, 2005

Action Items

Request approval of the 2005 Single Family HOME Investment Partnerships Program (HOME) Award Recommendations, totaling awards in the amount of \$30,077,280.

Required Action

Approve the 2005 Single Family HOME Investment Partnerships Program Award Recommendations.

Background and Recommendations

Summary

The 2005 Single Family HOME Program funding cycle made available approximately \$30 million. Eligible applicants included: units of general local government, public housing authorities, and nonprofit organizations. A total of 205 Single Family HOME applications were received for funding for the following Activities: American Dream Downpayment Initiative (ADDI), Owner Occupied Housing Assistance (OCC) and Tenant Based Rental Assistance (TBRA). Applications requesting ADDI funds competed on a statewide basis, while those Applicants requesting OCC or TBRA funds competed within their Area Type and Service Region. Listed below is a summary of the total number of applications received, the dollar amount requested and the dollar amount being recommended for funding for Single Family HOME Activities.

Breakdown of 2005 HOME Applications

Total Requested			Total Recommended		
ADDI	\$9,796,500	35 Applications	ADDI	\$5,394,878	20 Applications
OCC	\$62,392,399	151 Applications	OCC	\$22,416,557	64 Applications
TBRA	\$5,993,597	19 Applications	TBRA	\$2,265,845	15 Applications
	\$78,182,496	205 Applications		\$30,077,280	99 Applications

Funding Recommendation Methodology

Single Family HOME funds allow for the application of three different types of activities – ADDI, OCC and TBRA. Recommendations are being made based on the highest scoring applicants. Award amounts may not exceed \$500,000 per activity, per Applicant.

Applicants applying for ADDI funds competed on a statewide basis. Compliance with the Regional Allocation Formula was maintained as a priority throughout the scoring process in the preparation of the funding recommendations for OCC and TBRA funds. OCC and TBRA Applicants were allowed to apply for funding either in an Urban/Exurban or Rural Area Type per Uniform State Service Region. Funds were awarded regionally, first by activity, then by Urban/Exurban or Rural Area Type. In regions where an insufficient number of applicants existed under an activity, recommendations are being made to fund applicants in the same region for the activity with the most eligible applications.

In accordance with Section 2306.111 of the Government Code, the Department may allocate no less than ninety-five percent (95%) of the HOME Program funds to applicants that serve households in a non-participating jurisdiction (non-PJ). Current state law requires the Department to allocate five percent (5%) of the HOME

Program funds to applicants serving persons with disabilities. Although HOME Program funds under this five percent (5%) set aside may be used to serve households in participating jurisdictions (PJs), in adhering to our Consolidated Plan, no Single Family activity funds were funded in a PJ. Only those qualifying applicants proposing to serve persons with disabilities in non-PJs received a funding recommendation. Seventeen applicants serving persons with disabilities, totaling \$3,925,521 in funds, are receiving a recommendation under this funding cycle.

Additional Considerations

The State HOME rules include a minimum score requirement based on 60% of the total score established for the respective activity (ADDI, OCC, TBRA) to be considered for a funding recommendation. This requirement equates to 60 points for all activities. Applicants that did not pass the minimum score requirement were not eligible for recommendations. Before scoring begins, Applicants must pass threshold requirements. If an Applicant did not meet these requirements, the Applicant was disqualified and received a score of zero.

In some of the Uniform State Service Regions, tie scores occurred. In these instances, we used a pro-rata percentage to determine the recommended funding amount based on the dollar amount of funds requested. The number of units assisted was adjusted accordingly for those applicants with tie scores and for those receiving partial funding recommendations. The unit requirement was based on the initial funds requested and the initial number of units they proposed to assist. When a balance of funds remained, the applicant is required to assist an additional unit for the ADDI and TBRA activities. For the OCC activity, an additional unit was only required if the remaining balance exceeded \$10,000.

Applications recommended for funding were submitted to the Portfolio Management and Compliance Division for review and approval and entry into the Developer Evaluation System.

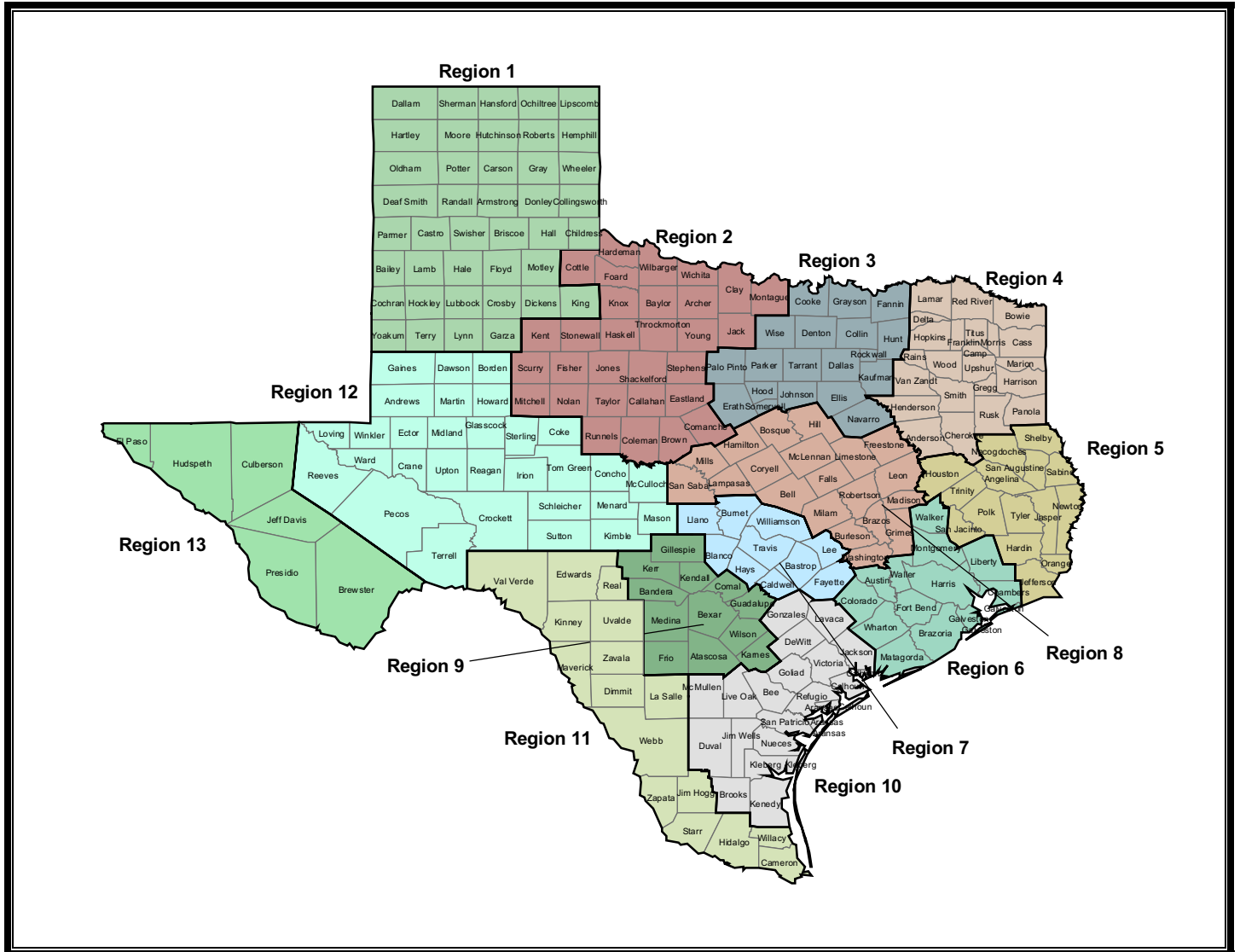
Attached is the:

- Uniform State Service Regions Map
- List of recommendations by region
- 2005 HOME Funding Plan
- Funding Recommendation Spreadsheets

Recommendation

Staff requests approval of the 2005 Single Family HOME Program Award Recommendations for the activities as detailed on the attached list of recommendations and regional spreadsheets. Staff also recommends and requests approval of 4% administrative funds for all applicants based on the amount of project dollars recommended. These awards are contingent upon any unresolved audit findings or questioned or disallowed costs being resolved. Staff requests the permission that in the event that an applicant declines or cannot resolve issues identified, that the next eligible applicant per the scoring method described above receive an award.

Uniform State Service Regions Map



2005 Single Family HOME Investment Partnerships Program Recommendations

Application Number	Applicant	Region	U/E, Rural, or N/A	Activity	Project Funds Requested	Score	Project Funds Rec'd	Units Rec'd
2005-0034	City of Bonham	3	N/A	ADDI	100,000.00	70.00	\$100,000.00	10
2005-0103	City of Commerce	3	N/A	ADDI	100,000.00	72.00	\$100,000.00	10
2005-0105	City of Mineola	4	N/A	ADDI	100,000.00	67.00	\$45,626.00	5
2005-0059	HA of the City of Beaumont	5	N/A	ADDI	50,000.00	68.67	\$50,000.00	5
2005-0112	SE Texas Housing Finance Corp.	6	N/A	ADDI	500,000.00	70.13	\$500,000.00	60
2005-0142	Travis County Hsing Fin. Corp.	7	N/A	ADDI	214,500.00	75.00	\$214,500.00	30
2005-0054	City of Whitney	8	N/A	ADDI	200,000.00	70.00	\$200,000.00	20
2005-0062	Temple Housing Authority	8	N/A	ADDI	500,000.00	73.66	\$500,000.00	48
2005-0168	City of Mexia	8	N/A	ADDI	500,000.00	76.00	\$500,000.00	50
2005-0203	Kingsville Housing Authority	10	N/A	ADDI	100,000.00	79.00	\$100,000.00	15
2005-0069	La Gloria Development Corp.	11	N/A	ADDI	120,000.00	67.00	\$54,752.00	6
2005-0004	Coto De Casa, Inc.	11	N/A	ADDI	190,000.00	92.34	\$190,000.00	19
2005-0002	FUTURO Communties, Inc.	11	N/A	ADDI	300,000.00	75.00	\$300,000.00	30
2005-0082	City of San Benito	11	N/A	ADDI	300,000.00	86.00	\$300,000.00	30
2005-0140	City of Los Fresnos	11	N/A	ADDI	450,000.00	68.00	\$450,000.00	45
2005-0037	Comm. Council of SW Texas, Inc.	11	N/A	ADDI	500,000.00	74.50	\$500,000.00	50
2005-0039	Edinburg Housing Authority	11	N/A	ADDI	500,000.00	71.00	\$500,000.00	50
2005-0086	Midland Habitat for Humanity	12	N/A	ADDI	40,000.00	88.00	\$40,000.00	4
2005-0120	El Desarrollo Comunitario Inc.	13	N/A	ADDI	300,000.00	83.00	\$300,000.00	30
2005-0182	El Paso Coll. for Comm. & Econ. Dev.	13	N/A	ADDI	450,000.00	92.00	\$450,000.00	50
\$5,394,878.00							567	
2005-0165	City of Plains	1	Rural	OCC	495,000.00	96.00	\$170,564.00	3
2005-0119	City of Denver City	1	Rural	OCC	500,000.00	96.00	\$172,286.00	4
2005-0145	City of Amherst	1	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0148	City of Turkey	1	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0045	City of Stamford	2	Rural	OCC	165,000.00	88.00	\$71,343.00	2
2005-0167	City of Miles	2	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0174	City of Rising Star	2	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0070	City of Dublin	3	Rural	OCC	300,000.00	91.00	\$193,392.00	4
2005-0134	City of Corsicana	3	Rural	OCC	200,000.00	94.00	\$200,000.00	4
2005-0143	City of West Tawakoni	3	Rural	OCC	495,000.00	91.00	\$319,096.00	6
2005-0150	City of Lone Oak	3	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0152	City of Kemp	3	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0096	City of Venus	3	Rural	OCC	500,000.00	96.00	\$500,000.00	9
2005-0155	City of Princeton	3	U/E	OCC	495,000.00	86.00	\$495,000.00	9
2005-0159	Institute of Rural Development	3	U/E	OCC	495,000.00	68.00	\$495,000.00	9
2005-0041	City of McKinney	3	U/E	OCC	500,000.00	77.00	\$500,000.00	10
2005-0139	City of Bogata	4	Rural	OCC	200,000.00	93.00	\$120,915.00	3
2005-0021	City of Daingerfield	4	Rural	OCC	275,000.00	93.00	\$166,257.00	3
2005-0161	City of Eustace	4	Rural	OCC	495,000.00	93.00	\$299,262.00	6
2005-0127	City of Winnsboro	4	Rural	OCC	495,000.00	93.00	\$299,262.00	6
2005-0151	City of Malakoff	4	Rural	OCC	495,000.00	96.00	\$495,000.00	9
2005-0153	City of Berryville	4	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0184	City of Van	4	Rural	OCC	495,000.00	94.00	\$495,000.00	9
2005-0028	City of Nash	4	U/E	OCC	495,000.00	83.00	\$492,463.00	9
2005-0135	City of Lufkin	5	Rural	OCC	250,000.00	91.00	\$69,457.00	2
2005-0079	Shelby County	5	Rural	OCC	300,000.00	91.00	\$83,349.00	2
2005-0154	City of Trinity	5	Rural	OCC	495,000.00	91.00	\$137,526.00	3

2005 Single Family HOME Investment Partnerships Program Recommendations

Application Number	Applicant	Region	U/E, Rural, or N/A	Activity	Project Funds Requested	Score	Project Funds Rec'd	Units Rec'd
2005-0016	City of Nacogdoches	5	Rural	OCC	500,000.00	91.00	\$138,915.00	3
2005-0172	City of Garrison	5	Rural	OCC	495,000.00	97.00	\$495,000.00	9
2005-0137	City of Center	5	Rural	OCC	300,000.00	92.00	\$300,000.00	6
2005-0149	Wharton County	6	Rural	OCC	495,000.00	95.00	\$392,433.00	7
2005-0097	City of Willis	6	Rural	OCC	500,000.00	95.00	\$396,397.00	7
2005-0098	City of Splendora	6	Rural	OCC	500,000.00	97.00	\$500,000.00	9
2005-0036	Ebenz Inc.	6	U/E	OCC	250,000.00	65.50	\$250,000.00	5
2005-0162	City of Hitchcock	6	U/E	OCC	495,000.00	83.00	\$495,000.00	9
2005-0178	City of Marble Falls	7	Rural	OCC	500,000.00	95.00	\$424,616.00	8
2005-0083	City of San Marcos	7	U/E	OCC	500,000.00	72.00	\$404,712.00	8
2005-0055	City of Whitney	8	Rural	OCC	500,000.00	93.00	\$266,675.00	5
2005-0056	City of Groesbeck	8	Rural	OCC	500,000.00	94.00	\$500,000.00	9
2005-0115	City of Bellmead	8	U/E	OCC	250,000.00	80.00	\$245,304.00	5
2005-0170	Kendall County	9	Rural	OCC	495,000.00	91.00	\$95,403.00	2
2005-0164	City of Bandera	9	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0007	City of New Braunfels	9	U/E	OCC	500,000.00	73.00	\$317,909.00	16
2005-0144	City of Taft	10	Rural	OCC	495,000.00	85.00	\$84,039.00	2
2005-0063	Bee Community Action Agency	10	Rural	OCC	275,000.00	88.00	\$275,000.00	5
2005-0173	City of Odem	10	Rural	OCC	495,000.00	86.00	\$495,000.00	9
2005-0175	City of Yoakum	10	Rural	OCC	500,000.00	92.00	\$500,000.00	9
2005-0169	City of Ingleside	10	U/E	OCC	275,000.00	82.00	\$275,000.00	5
2005-0197	La Salle County	11	Rural	OCC	495,000.00	79.00	\$66,884.00	2
2005-0198	City of Roma	11	Rural	OCC	495,000.00	79.00	\$66,884.00	2
2005-0061	Webb County	11	Rural	OCC	500,000.00	79.00	\$67,559.00	2
2005-0114	Laredo-Webb NHS, Inc.	11	Rural	OCC	495,000.00	81.00	\$495,000.00	9
2005-0186	City of El Cenizo	11	Rural	OCC	495,000.00	82.00	\$495,000.00	9
2005-0187	City of Asherton	11	Rural	OCC	495,000.00	96.00	\$495,000.00	9
2005-0190	City of Carrizo Springs	11	Rural	OCC	495,000.00	90.00	\$495,000.00	9
2005-0192	City of Encinal	11	Rural	OCC	495,000.00	87.00	\$495,000.00	9
2005-0200	HA of the City of Cyrstal City	11	Rural	OCC	495,000.00	81.00	\$495,000.00	9
2005-0081	City of San Benito	11	U/E	OCC	500,000.00	78.00	\$500,000.00	16
2005-0067	CDC of Brownsville	11	U/E	OCC	500,000.00	63.50	\$500,000.00	10
2005-0044	City of McCamey	12	Rural	OCC	330,000.00	77.00	\$143,485.00	3
2005-0156	City of Bronte	12	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0189	City of Wickett	12	Rural	OCC	495,000.00	95.00	\$495,000.00	9
2005-0071	City of Midland	12	U/E	OCC	150,000.00	67.00	\$150,000.00	5
2005-0157	City of Dell City	13	Rural	OCC	495,000.00	96.00	\$121,180.00	3
2005-0158	Hudspeth County	13	Rural	OCC	495,000.00	96.00	\$121,180.00	3
2005-0019	City of Socorro	13	U/E	OCC	255,299.20	89.00	\$132,811.00	3
\$22,416,558.00							443	
2005-0141	Affordable Hsing of Parker County, Inc.	3	Rural	TBRA	494,232.00	78.00	\$217,857.00	15
2005-0035	Housing Authority of Frisco	3	U/E	TBRA	250,000.00	73.00	\$205,265.00	22
2005-0008	Christian Community Action	3	U/E	TBRA	500,000.00	76.00	\$500,000.00	41
2005-0005	Burke Center	5	Rural	TBRA	491,375.00	66.66	\$62,907.00	6
2005-0087	Buckner Children & Family Services	5	Rural	TBRA	200,000.00	88.50	\$200,000.00	20
2005-0213	Alpha Concepts, Inc.	5	U/E	TBRA	45,216.00	83.00	\$43,155.00	4
2005-0014	Tri-County MHMR Services	6	Rural	TBRA	250,000.00	91.00	\$165,249.00	17
2005-0015	Tri-County MHMR Services	6	U/E	TBRA	500,000.00	90.66	\$343,209.00	34

2005 Single Family HOME Investment Partnerships Program Recommendations

Application Number	Applicant	Region	U/E, Rural, or N/A	Activity	Project Funds Requested	Score	Project Funds Rec'd	Units Rec'd
2005-0191	Bluebonnet Trails Comm. MHMR	7	Rural	TBRA	450,000.00	90.00	\$106,154.00	11
2005-0194	Bluebonnet Trails Comm. MHMR	7	U/E	TBRA	450,000.00	90.00	\$101,178.00	11
2005-0195	Bluebonnet Trails Comm. MHMR	9	Rural	TBRA	50,000.00	91.00	\$50,000.00	5
2005-0199	Marble Falls Housing Authority	9	Rural	TBRA	500,000.00	77.00	\$97,601.00	3
2005-0006	Ellis Townhomes, Inc.	9	U/E	TBRA	500,000.00	82.00	\$29,477.00	3
2005-0196	Bluebonnet Trails Comm. MHMR	9	U/E	TBRA	50,000.00	91.00	\$50,000.00	5
2005-0113	El Paso Comm. Action Program	13	U/E	TBRA	193,666.00	62.33	\$93,793.00	10
							\$2,265,845.00	207

I. ALLOCATION*

Total HOME Allocation for PY 2005	\$ 43,343,307
less Administration Funds (10% of PY 2005)	\$ 4,334,331
less CHDO Project Funds Set Aside (15% of PY 2005)	\$ 6,501,496 ¹
less CHDO Operating Expenses Set Aside (5% of CHDO Set Aside)	\$ 325,075
less Direct Award for the Texas Home of Your Own Program	\$ 500,000
less Set Aside for Contract for Deed Conversions	\$ 2,000,000
less Set Aside for Rental Housing Preservation Program	\$ 2,000,000
less Set Aside for Rental Housing Development Program	\$ 3,000,000
Remaining Project Funds subject to Regional Allocation Formula	\$ 24,682,405
Total ADDI Allocation PY 2005	\$ 1,344,356
Plus ADDI Allocation PY 2004	\$ 2,236,339
Plus ADDI Allocation PY 2003	\$ 2,015,759
Less 10% of 2003 ADDI Allocation for Admin. Funds	\$ 201,576
Total ADDI Funds not subject to the Regional Allocation Formula	\$ 5,394,878

¹ \$1,000,000 will be reserved from this set aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO eligible activities.

II. ACTIVITY PROJECTS (Project Funds Available)*

American Dream Downpayment Initiative (Statewide Competition, funds not subject to RAF)	\$ 5,394,878
Owner -Occupied Housing Assistance (80% of funds subject to RAF)	\$ 19,745,924
Tenant Based Rental Assistance (20% of funds subject to RAF)	\$ 4,936,481
	\$ 30,077,284

III. REGIONAL ALLOCATION FORMULA ANALYSIS *

Region	% Overall Regional Funding Distribution	Owner-Occupied Housing Assistance (OCC)			Tenant Based Rental Assistance (TBRA)			Overall Regional Funding	Funding Available to Urban / Exurban Areas	% of Funding Available to Urban/ Exurban Areas	Funding Available to Rural Areas	% of Funding Available to Rural Areas
		Owner-Occupied Housing Asst. (OCC)	Urban/ Exurban	Rural	Total Funds Available for TBRA	Urban/ Exurban	Rural					
1	5.4%	\$ 1,066,280	\$ -	\$ 1,066,280	\$ 266,570	\$ -	\$ 266,570	\$ 1,332,850	\$ -	0.0	\$ 1,332,850	100.0
2	4.3%	\$ 849,075	\$ 21,227	\$ 827,848	\$ 212,269	\$ 5,307	\$ 206,962	\$ 1,061,343	\$ 26,534	2.5	\$ 1,034,810	97.5
3	18.7%	\$ 3,692,488	\$ 2,821,061	\$ 871,427	\$ 923,122	\$ 705,265	\$ 217,857	\$ 4,615,610	\$ 3,526,326	76.4	\$ 1,089,284	23.6
4	11.6%	\$ 2,290,527	\$ 492,463	\$ 1,798,064	\$ 572,632	\$ 123,116	\$ 449,516	\$ 2,863,159	\$ 615,579	21.5	\$ 2,247,580	78.5
5	6.2%	\$ 1,224,247	\$ 172,619	\$ 1,051,628	\$ 306,062	\$ 43,155	\$ 262,907	\$ 1,530,309	\$ 215,774	14.1	\$ 1,314,536	85.9
6	10.3%	\$ 2,033,830	\$ 1,372,835	\$ 660,995	\$ 508,458	\$ 343,209	\$ 165,249	\$ 2,542,288	\$ 1,716,044	67.5	\$ 826,244	32.5
7	4.2%	\$ 829,329	\$ 404,712	\$ 424,616	\$ 207,332	\$ 101,178	\$ 106,154	\$ 1,036,661	\$ 505,891	48.8	\$ 530,770	51.2
8	4.1%	\$ 809,583	\$ 245,304	\$ 564,279	\$ 202,396	\$ 61,326	\$ 141,070	\$ 1,011,979	\$ 306,630	30.3	\$ 705,349	69.7
9	4.6%	\$ 908,313	\$ 317,909	\$ 590,403	\$ 227,078	\$ 79,477	\$ 147,601	\$ 1,135,391	\$ 397,387	35.0	\$ 738,004	65.0
10	6.6%	\$ 1,303,231	\$ 443,099	\$ 860,132	\$ 325,808	\$ 110,775	\$ 215,033	\$ 1,629,039	\$ 553,873	34.0	\$ 1,075,166	66.0
11	16.9%	\$ 3,337,061	\$ 1,221,364	\$ 2,115,697	\$ 834,265	\$ 305,341	\$ 528,924	\$ 4,171,327	\$ 1,526,706	36.6	\$ 2,644,621	63.4
12	5.2%	\$ 1,026,788	\$ 618,126	\$ 408,662	\$ 256,697	\$ 154,532	\$ 102,165	\$ 1,283,485	\$ 772,658	60.2	\$ 510,827	39.8
13	1.9%	\$ 375,173	\$ 132,811	\$ 242,361	\$ 93,793	\$ 33,203	\$ 60,590	\$ 468,966	\$ 166,014	35.4	\$ 302,952	64.6
1.00		\$ 19,745,924			\$ 4,936,481			\$ 24,682,405	\$ 10,329,414	41.8	\$ 14,352,992	58.2

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 1 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban

PWD = Persons with Disabilities

OCC = Owner Occupied Assistance

R = Rural

Gen. = General

ADDI = American Dream Downpayment Initiative

TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 1 \$ 1,332,850

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 1 TBRA FUNDS \$266,570

Total Amount available for TBRA Urban/Exurban \$0

Total Amount available for TBRA Rural \$266,570

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
<i>No Applicants</i>										

Total TBRA Funds Recommended \$0
 Remaining TBRA funds moved to OCC Rural \$266,570

AVAILABLE REGION 1 OCC FUNDS \$1,066,280

Total Amount available for OCC Urban/Exurban \$0

Total Amount available for OCC Rural \$1,066,280

Add remaining TBRA \$266,570

\$1,332,850

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0145	City of Amherst	97.00	OCC	1	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0148	City of Turkey	97.00	OCC	1	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0119	City of Denver City	96.00	OCC	1	Rural	\$ 500,000	10	\$ 172,286	4	PWD
2005-0165	City of Plains	96.00	OCC	1	Rural	\$ 495,000	9	\$ 170,564	3	Gen.
2005-0181	City of Lockney	95.00	OCC	1	Rural	\$ 495,000	9			
2005-0188	City of Memphis	95.00	OCC	1	Rural	\$ 495,000	9			
2005-0146	City of Morton	95.00	OCC	1	Rural	\$ 495,000	9			

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE + / - \$1.00

2005 Single Family Finance Production - HOME Program

Region 1 Recommendations

*(Subject to the Regional Allocation Formula *)*

Region 1 OCC Rural continued

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0166	City of Spur	95.00	OCC	1	Rural	\$ 495,000	9			
2005-0131	City of Sundown	91.00	OCC	1	Rural	\$ 250,000	5			
2005-0042	Caprock Community Action Assoc., Inc.	87.00	OCC	1	Rural	\$ 495,000	9			
2005-0012	City of Hale Center	86.00	OCC	1	Rural	\$ 243,600	4			
2005-0009	City of Plainview	86.00	OCC	1	Rural	\$ 275,000	5			
2005-0050	City of Olton	85.00	OCC	1	Rural	\$ 495,000	9			
2005-0048	City of Muleshoe	82.00	OCC	1	Rural	\$ 220,000	4			
2005-0129	City of Tahoka	82.00	OCC	1	Rural	\$ 250,000	5			
2005-0049	City of Floydada	81.00	OCC	1	Rural	\$ 385,000	7			
2005-0011	City of Petersburg	78.00	OCC	1	Rural	\$ 304,500	5			
2005-0110	Azteca Economic Development Corp.	69.00	OCC	1	Rural	\$ 474,000	14			

\$ 7,357,100 140 \$1,332,850 25

Total OCC Rural Funds Recommended **\$1,332,850**

Remaining Region 1 funds **\$0**

** DUE TO ROUNDING, FIGURES MAY FLUCTUATE + / - \$1.00*

2005 Single Family Finance Production - HOME Program

Region 2 Recommendations

*(Subject to the Regional Allocation Formula *)*

Total Amount available for OCC Rural	\$827,848
Add remaining OCC U/E	\$21,227
Add remaining TBRA	\$212,269
	<u>\$1,061,343</u>

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0174	City of Rising Star	97.00	OCC	2	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0167	City of Miles	95.00	OCC	2	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0045	City of Stamford	88.00	OCC	2	Rural	\$ 165,000	3	\$ 71,343	2	Gen.
						\$ 1,155,000	21	\$ 1,061,343	20	

Total OCC Rural Funds Recommended	\$1,061,343
Remaining Region 2 funds	\$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 3 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 3 **\$4,615,610**

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 3 TBRA FUNDS **\$923,122**

Total Amount available for TBRA Urban/Exurban **\$705,265**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0008	Christian Community Action	76.00	TBRA	3	U/E	\$ 500,000	41	\$ 500,000	41	Gen.
2005-0035	Housing Authority of Frisco	73.00	TBRA	3	U/E	\$ 250,000	26	\$ 205,265	22	Gen.
						\$750,000	67	\$ 705,265	63	

Total TBRA U/E Funds Recommended **\$705,265**
 Remaining TBRA U/E funds moved to TBRA Rural **\$0**

Total Amount available for TBRA Rural **\$217,857**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0141	Affordable Housing of Parker County, Inc	78.00	TBRA	3	Rural	\$ 494,232	33	\$ 217,857	15	Gen.
						\$494,232	33	\$217,857	15	

Total TBRA Rural Funds Recommended **\$217,857**
 Remaining TBRA funds moved to OCC Rural **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 3 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 3 OCC FUNDS **\$3,692,488**

Total Amount available for OCC Urban/Exurban **\$ 2,821,061**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0155	City of Princeton	86.00	OCC	3	U/E	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0041	City of McKinney	77.00	OCC	3	U/E	\$ 500,000	10	\$ 500,000	10	Gen.
2005-0159	Institute of Rural Development	68.00	OCC	3	U/E	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0085	Cornerstone CDC	0.00	OCC	3	U/E	\$ 100,000	4			
						\$1,590,000	32	\$1,490,000	28	

Total OCC U/E Funds Recommended **\$1,490,000**
 Remaining OCC U/E funds moved to OCC Rural **\$1,331,061**

Total Amount available for OCC Rural **\$871,427**

Add remaining OCC Urban/Exurban **\$1,331,061**

\$2,202,488

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0152	City of Kemp	97.00	OCC	3	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0150	City of Lone Oak	97.00	OCC	3	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0096	City of Venus	96.00	OCC	3	Rural	\$ 500,000	9	\$ 500,000	9	Gen.
2005-0134	City of Corsicana	94.00	OCC	3	Rural	\$ 200,000	4	\$ 200,000	4	PWD
2005-0070	City of Dublin	91.00	OCC	3	Rural	\$ 300,000	6	\$ 193,392	4	Gen.
2005-0143	City of West Tawakoni	91.00	OCC	3	Rural	\$ 495,000	9	\$ 319,096	6	Gen.
2005-0094	City of Commerce	90.00	OCC	3	Rural	\$ 500,000	9			
2005-0058	City of Hawk Cove	88.00	OCC	3	Rural	\$ 385,000	7			
2005-0163	City of Bells	87.00	OCC	3	Rural	\$ 495,000	9			
2005-0047	City of Terrell	86.00	OCC	3	Rural	\$ 495,000	9			
2005-0102	City of Trenton	82.00	OCC	3	Rural	\$ 500,000	8			
2005-0032	City of Bonham	80.00	OCC	3	Rural	\$ 500,000	8			
						\$5,360,000	96	\$2,202,488	41	

Total OCC Rural Funds Recommended **\$2,202,488**
 Remaining Region 3 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 4 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 4 \$ 2,863,159

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 4 TBRA FUNDS \$572,632

Total Amount available for TBRA Urban/Exurban \$123,116

Total Amount available for TBRA Rural \$449,516

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
	<i>No Applicants</i>									

Total TBRA Funds Recommended \$0
 Remaining TBRA funds moved to OCC Rural \$572,632

AVAILABLE REGION 4 OCC FUNDS \$2,290,527

Total Amount available for OCC Urban/Exurban \$492,463

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0028	City of Nash	83.00	OCC	4	U/E	\$ 495,000	9	\$ 492,463	9	PWD
2005-0091	City of Texarkana	81.00	OCC	4	U/E	\$ 500,000	9			
						\$995,000	18	\$492,463	9	

Total OCC U/E Funds Recommended \$492,463
 Remaining OCC U/E funds moved to OCC Rural \$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 4 Recommendations

*(Subject to the Regional Allocation Formula *)*

Total Amount available for OCC Rural

\$1,798,064

Add remaining TBRA

\$572,632

\$2,370,696

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0153	City of Berryville	97.00	OCC	4	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0151	City of Malakoff	96.00	OCC	4	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0184	City of Van	94.00	OCC	4	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0139	City of Bogata	93.00	OCC	4	Rural	\$ 200,000	4	\$120,915	3	Gen.
2005-0021	City of Daingerfield	93.00	OCC	4	Rural	\$ 275,000	5	\$166,257	3	PWD
2005-0161	City of Eustace	93.00	OCC	4	Rural	\$ 495,000	9	\$299,262	6	Gen.
2005-0127	City of Winnsboro	93.00	OCC	4	Rural	\$ 495,000	9	\$299,262	6	Gen.
2005-0017	City of Hughes Springs	92.00	OCC	4	Rural	\$ 495,000	9			
2005-0133	City of Palestine	92.00	OCC	4	Rural	\$ 300,000	6			
2005-0138	City of Carthage	90.00	OCC	4	Rural	\$ 250,000	5			
2005-0108	City of Domino	90.00	OCC	4	Rural	\$ 220,000	4			
2005-0136	City of Jefferson	90.00	OCC	4	Rural	\$ 150,000	3			
2005-0018	City of Lone Star	89.00	OCC	4	Rural	\$ 275,000	5			
2005-0029	City of Annona	88.00	OCC	4	Rural	\$ 500,000	9			
2005-0116	City of Athens	88.00	OCC	4	Rural	\$ 220,000	4			
2005-0027	City of Clarksville	88.00	OCC	4	Rural	\$ 495,000	9			
2005-0033	City of Detroit	88.00	OCC	4	Rural	\$ 500,000	9			
2005-0031	City of Deport	87.00	OCC	4	Rural	\$ 500,000	9			
2005-0101	City of Mineola	87.00	OCC	4	Rural	\$ 500,000	8			
2005-0030	City of Edgewood	86.00	OCC	4	Rural	\$ 500,000	8			
2005-0013	City of Sulphur Springs	86.00	OCC	4	Rural	\$ 495,000	9			
2005-0020	City of DeKalb	83.00	OCC	4	Rural	\$ 495,000	9			
2005-0128	City of Gladewater	82.00	OCC	4	Rural	\$ 200,000	4			
2005-0022	Red River County	82.00	OCC	4	Rural	\$ 495,000	9			
2005-0106	City of Avery	81.00	OCC	4	Rural	\$ 220,000	4			
2005-0104	County of Lamar	79.00	OCC	4	Rural	\$ 500,000	7			

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 4 Recommendations

*(Subject to the Regional Allocation Formula *)*

Region 4 OCC Rural continued

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0117	City of Big Sandy	77.00	OCC	4	Rural	\$ 165,000	3			
2005-0095	City of Cooper	76.00	OCC	4	Rural	\$ 500,000	6			
2005-0111	City of Atlanta	71.00	OCC	4	Rural	\$ 500,000	9			
2005-0089	City of Bloomburg	70.00	OCC	4	Rural	\$ 110,000	2			
2005-0160	City of Frankston	0.00	OCC	4	Rural	\$ 495,000	9			

\$11,535,000 213 \$2,370,696 45

Total OCC Rural Funds Recommended **\$2,370,696**

Remaining Region 4 funds \$0

** DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00*

2005 Single Family Finance Production - HOME Program

Region 5 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 5 \$ 1,530,309

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 5 TBRA FUNDS \$306,062

Total Amount available for TBRA Urban/Exurban \$43,155

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0213	Alpha Concepts, Inc.	83.00	TBRA	5	U/E	\$ 45,216	4	\$ 43,155	4	Gen.
2005-0066	Alpha Concepts, Inc.	0.00	TBRA	5	U/E	\$ 267,408	27			
						\$ 312,624	31	\$ 43,155	4	

Total TBRA U/E Funds Recommended **\$43,155**
 Remaining TBRA U/E funds moved to TBRA Rural **\$0**

Total Amount available for TBRA Rural \$262,907

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0087	Buckner Children & Family Services	88.50	TBRA	5	Rural	\$ 200,000	20	\$ 200,000	20	Gen.
2005-0005	Burke Center	66.66	TBRA	5	Rural	\$ 491,375	46	\$ 62,907	6	PWD
2005-0003	Spindletop MHMR Services	0.00	TBRA	5	Rural	\$ 163,700	25			
						\$855,075	91	\$262,907	26	

Total TBRA Rural Funds Recommended **\$262,907**
 Remaining TBRA funds moved to OCC Rural **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 5 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 5 OCC FUNDS **\$1,224,247**

Total Amount available for OCC Urban/Exurban **\$172,619**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
<i>No Applicants</i>										

Total OCC U/E Funds Recommended **\$0**
 Remaining OCC U/E funds moved to OCC Rural **\$172,619**

Total Amount available for OCC Rural **\$1,051,628**
Add remaining OCC Urban/Exurban **\$172,619**
\$1,224,247

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0172	City of Garrison	97.00	OCC	5	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0137	City of Center	92.00	OCC	5	Rural	\$ 300,000	6	\$ 300,000	6	PWD
2005-0135	City of Lufkin	91.00	OCC	5	Rural	\$ 250,000	5	\$ 69,457	2	PWD
2005-0016	City of Nacogdoches	91.00	OCC	5	Rural	\$ 500,000	10	\$ 138,915	3	PWD
2005-0154	City of Trinity	91.00	OCC	5	Rural	\$ 495,000	9	\$ 137,526	3	Gen.
2005-0079	Shelby County	91.00	OCC	5	Rural	\$ 300,000	6	\$ 83,349	2	Gen.
2005-0073	City of San Augustine	90.00	OCC	5	Rural	\$ 300,000	6			
2005-0076	City of Joaquin	89.00	OCC	5	Rural	\$ 300,000	6			
2005-0080	City of Hudson	88.00	OCC	5	Rural	\$ 300,000	6			
2005-0132	City of Crockett	87.00	OCC	5	Rural	\$ 500,000	10			
2005-0147	City of Nome	87.00	OCC	5	Rural	\$ 495,000	9			
2005-0074	City of Onalaska	84.00	OCC	5	Rural	\$ 300,000	6			
2005-0077	City of Shepherd	84.00	OCC	5	Rural	\$ 300,000	6			
2005-0075	City of Diboll	83.00	OCC	5	Rural	\$ 300,000	6			
						\$5,135,000	100	\$1,224,247	25	

Total OCC Rural Funds Recommended **\$1,224,247**
Remaining Region 5 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 6 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 6 \$ 2,542,288

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 6 TBRA FUNDS \$508,458

Total Amount available for TBRA Urban/Exurban \$343,209

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0015	Tri-County MHMR Services	90.66	TBRA	6	U/E	\$ 500,000	49	\$ 343,209	34	PWD
						\$ 500,000	49	\$ 343,209	34	

Total TBRA U/E Funds Recommended **\$343,209**

Remaining TBRA U/E funds moved to TBRA Rural **\$0**

Total Amount available for TBRA Rural \$165,249

Add remaining TBRA Urban/Exurban \$0

\$165,249

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0014	Tri-County MHMR Services	91.00	TBRA	6	Rural	\$ 250,000	25	\$ 165,249	17	PWD
						\$250,000	25	\$ 165,249	17	

Total TBRA Rural Funds Recommended **\$165,249**

Remaining TBRA funds moved to OCC Rural **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 6 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 6 OCC FUNDS **\$2,033,830**

Total Amount available for OCC Urban/Exurban **\$1,372,835**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0162	City of Hitchcock	83.00	OCC	6	U/E	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0036	Ebenz Inc.	65.50	OCC	6	U/E	\$ 250,000	5	\$ 250,000	5	Gen.
						\$745,000	14	\$745,000	14	

Total OCC U/E Funds Recommended **\$745,000**
 Remaining OCC U/E funds moved to OCC Rural **\$627,835**

Total Amount available for OCC Rural **\$660,995**

Add remaining OCC Urban/Exurban **\$627,835**

\$1,288,830

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0098	City of Splendor	97.00	OCC	6	Rural	\$ 500,000	9	\$ 500,000	9	Gen.
2005-0097	City of Willis	95.00	OCC	6	Rural	\$ 500,000	9	\$ 396,397	7	Gen.
2005-0149	Wharton County	95.00	OCC	6	Rural	\$ 495,000	9	\$ 392,433	7	Gen.
2005-0099	City of Montgomery	94.00	OCC	6	Rural	\$ 500,000	9			
2005-0171	City of Wallis	94.00	OCC	6	Rural	\$ 495,000	9			
2005-0053	County of Walker	93.00	OCC	6	Rural	\$ 500,000	9			
2005-0176	City of Weimar	84.00	OCC	6	Rural	\$ 500,000	9			
2005-0124	City of Wharton	82.00	OCC	6	Rural	\$ 495,000	9			
						\$3,985,000	72	\$1,288,830	23	

Total OCC Rural Funds Recommended **\$1,288,830**
Remaining Region 6 funds \$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 7 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 7 **\$ 1,036,661**

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 7 TBRA FUNDS **\$207,332**

Total Amount available for TBRA Urban/Exurban **\$101,178**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0194	Bluebonnet Trails Comm. MHMR Center	90.00	TBRA	7	U/E	\$ 450,000	45	\$ 101,178	11	PWD
						\$ 450,000	45	\$ 101,178	11	

Total TBRA U/E Funds Recommended **\$101,178**

Remaining TBRA U/E funds moved to TBRA Rural **\$0**

Total Amount available for TBRA Rural **\$106,154**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0191	Bluebonnet Trails Comm. MHMR Center	90.00	TBRA	7	Rural	\$ 450,000	45	\$ 106,154	11	PWD
2005-0193	Marble Falls Housing Authority	81.33	TBRA	7	Rural	\$ 500,000	35			Gen.
						\$ 950,000	80	\$ 106,154	11	

Total TBRA Rural Funds Recommended **\$106,154**

Remaining TBRA funds moved to OCC Rural **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 7 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 7 OCC FUNDS **\$829,329**

Total Amount available for OCC Urban/Exurban **\$404,712**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0083	City of San Marcos	72.00	OCC	7	U/E	\$ 500,000	9	\$ 404,712	8	Gen.
						\$500,000	9	\$404,712	8	

Total OCC U/E Funds Recommended **\$404,712**
 Remaining OCC U/E funds moved to OCC Rural **\$0**

Total Amount available for OCC Rural **\$424,616**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0178	City of Marble Falls	95.00	OCC	7	Rural	\$ 500,000	9	\$ 424,616	8	Gen.
2005-0179	City of La Grange	93.00	OCC	7	Rural	\$ 500,000	9			
2005-0177	City of Smithville	79.00	OCC	7	Rural	\$ 500,000	9			
						\$1,500,000	27	\$424,616	8	

Total OCC Rural Funds Recommended **\$424,616**
 Remaining Region 7 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 8 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 8 \$ 1,011,979

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 8 TBRA FUNDS \$202,396

Total Amount available for TBRA Urban/Exurban \$61,326

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
	<i>No Applicants</i>									

Total TBRA U/E Funds Recommended \$0
 Remaining TBRA U/E funds moved to TBRA Rural \$61,326

Total Amount available for TBRA Rural \$141,070

Add remaining TBRA Urban/Exurban \$61,326

\$202,396

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0088	Heart of Central Texas Ind.Living Center	0.00	TBRA	8	Rural	\$ 138,000	10			
						\$138,000	10			

Total TBRA Rural Funds Recommended \$0
 Remaining TBRA funds moved to OCC Rural \$202,396

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 8 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 8 OCC FUNDS **\$809,583**

Total Amount available for OCC Urban/Exurban **\$245,304**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0115	City of Bellmead	80.00	OCC	8	U/E	\$ 250,000	5	\$ 245,304	5	Gen.
2005-0118	City of Lacy Lakeview	79.00	OCC	8	U/E	\$ 220,000	4			
2005-0185	City of Belton	74.00	OCC	8	U/E	\$ 495,000	9			
						\$965,000	18	\$245,304	5	

Total OCC U/E Funds Recommended **\$245,304**
 Remaining OCC U/E funds moved to OCC Rural **\$0**

Total Amount available for OCC Rural **\$564,279**

Add remaining TBRA **\$202,396**

\$766,675

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0056	City of Groesbeck	94.00	OCC	8	Rural	\$ 500,000	9	\$ 500,000	9	PWD
2005-0055	City of Whitney	93.00	OCC	8	Rural	\$ 500,000	9	\$ 266,675	5	PWD
2005-0057	City of Marlin	89.00	OCC	8	Rural	\$ 500,000	9			
2005-0183	Mills County	87.50	OCC	8	Rural	\$ 495,000	9			
2005-0023	City of Hillsboro	80.00	OCC	8	Rural	\$ 275,000	5			
2005-0130	City of Gatesville	79.00	OCC	8	Rural	\$ 495,000	9			
2005-0024	City of Hillsboro	78.00	OCC	8	Rural	\$ 275,000	5			
2005-0092	City of Marquez	64.00	OCC	8	Rural	\$ 110,000	2			
2005-0084	City of Jewett	0.00	OCC	8	Rural	\$ 275,000	5			
						\$3,425,000	62	\$766,675	14	

Total OCC Rural Funds Recommended **\$766,675**
Remaining Region 8 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 9 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 9 \$ 1,135,391

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 9 TBRA FUNDS \$227,078

Total Amount available for TBRA Urban/Exurban \$79,477

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0196	Bluebonnet Trails Comm.MHMR Center	91.00	TBRA	9	U/E	\$ 50,000	5	\$ 50,000	5	PWD
2005-0006	Ellis Townhomes, Inc.	82.00	TBRA	9	U/E	\$ 500,000	40	\$ 29,477	3	Gen.
						\$ 550,000	45	\$ 79,477	8	

Total TBRA U/E Funds Recommended **\$79,477**
 Remaining TBRA U/E funds moved to TBRA Rural **\$0**

Total Amount available for TBRA Rural \$147,601

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0195	Bluebonnet Trails Comm. MHMR Center	91.00	TBRA	9	Rural	\$ 50,000	5	\$ 50,000	5	PWD
2005-0199	Marble Falls Housing Authority	77.00	TBRA	9	Rural	\$ 500,000	15	\$ 97,601	3	Gen.
						\$ 550,000	20	\$ 147,601	8	

Total TBRA U/E Funds Recommended **\$147,601**
 Remaining TBRA funds moved to OCC Rural **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 9 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 9 OCC FUNDS \$908,313

Total Amount available for OCC Urban/Exurban \$317,909

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0007	City of New Braunfels	73.00	OCC	9	U/E	\$ 500,000	25	\$ 317,909	16	Gen.
						\$500,000	25	\$317,909	16	

Total OCC U/E Funds Recommended **\$317,909**
 Remaining OCC U/E funds moved to OCC Rural **\$0**

Total Amount available for OCC Rural \$590,403

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0164	City of Bandera	95.00	OCC	9	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0170	Kendall County	91.00	OCC	9	Rural	\$ 495,000	9	\$ 95,403	2	Gen.
2005-0078	City of Pleasanton	83.00	OCC	9	Rural	\$ 300,000	6			
2005-0072	City of Floresville	80.00	OCC	9	Rural	\$ 300,000	6			
2005-0123	City of Runge	78.00	OCC	9	Rural	\$ 275,000	5			
2005-0202	City of Hondo	74.00	OCC	9	Rural	\$ 495,000	9			
2005-0122	City of Charlotte	0.00	OCC	9	Rural	\$ 275,000	5			
2005-0121	City of Jourdanon	0.00	OCC	9	Rural	\$ 275,000	5			
						\$ 2,910,000	54	\$ 590,403	11	

Total OCC Rural Funds Recommended **\$590,403**
 Remaining Region 9 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 10 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban

R = Rural

PWD = Persons with Disabilities

Gen. = General

OCC = Owner Occupied Assistance

ADDI = American Dream Downpayment Initiative

TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 10 \$ 1,629,039

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 10 TBRA FUNDS \$325,808

Total Amount available for TBRA Urban/Exurban \$110,775

Total Amount available for TBRA Rural \$215,033

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
<i>No Applicants</i>										

Total TBRA Funds Recommended \$0
 Remaining TBRA funds moved to OCC Rural \$325,808

AVAILABLE REGION 10 OCC FUNDS \$1,303,231

Total Amount available for OCC Urban/Exurban \$443,099

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0169	City of Ingleside	92.00	OCC	10	U/E	\$ 275,000	5	\$ 275,000	5	Gen.
						\$275,000	5	\$275,000	5	

Total OCC U/E Funds Recommended \$275,000
 Remaining OCC U/E funds moved to OCC Rural \$168,099

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 10 Recommendations

*(Subject to the Regional Allocation Formula *)*

Total Amount available for OCC Rural	\$860,132
Add remaining OCC Urban/Exurban funds	\$168,099
Add remaining TBRA funds	\$325,808
	<u>\$1,354,039</u>

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0173	City of Odem	96.00	OCC	10	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0144	City of Taft	95.00	OCC	10	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0175	City of Yoakum	92.00	OCC	10	Rural	\$ 500,000	9	\$ 364,039	7	Gen.
2005-0063	Bee Community Action Agency	88.00	OCC	10	Rural	\$ 275,000	5			
2005-0051	Community Action Council of S. Texas	79.66	OCC	10	Rural	\$ 500,000	30			
2005-0125	City of Mathis	79.00	OCC	10	Rural	\$ 495,000	9			
						\$1,770,000	53	\$1,354,039	25	

Total OCC Rural Funds Recommended	\$1,354,039
Remaining Region 10 funds	\$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 11 Recommendations

*(Subject to the Regional Allocation Formula *)*

Total Amount available for OCC Urban/Exurban	\$2,115,697
Add remaining OCC Rural	\$221,364
Add remaining TBRA funds	\$834,265
	<hr/>
	\$3,171,327

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0187	City of Asherton	96.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0190	City of Carrizo Springs	90.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0192	City of Encinal	87.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0186	City of El Cenizo	82.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0200	HA of the City of Cyrstal City	81.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	PWD
2005-0114	Laredo-Webb N'hood Housing Services	81.00	OCC	11	Rural	\$ 495,000	9	\$ 495,000	9	PWD
2005-0198	City of Roma	79.00	OCC	11	Rural	\$ 495,000	9	\$ 66,884	2	Gen.
2005-0197	La Salle County	79.00	OCC	11	Rural	\$ 495,000	9	\$ 66,884	2	PWD
2005-0061	Webb County	79.00	OCC	11	Rural	\$ 500,000	9	\$ 67,559	2	Gen.
2005-0052	Community Action Council of S. Texas	77.71	OCC	11	Rural	\$ 500,000	30			
2005-0066	CDC of Brownsville	73.50	OCC	11	Rural	\$ 300,000	6			
2005-0038	Community Council of SW Texas, Inc.	69.38	OCC	11	Rural	\$ 440,000	20			
2005-0201	City of Los Indios	69.00	OCC	11	Rural	\$ 495,000	9			
2005-0204	City of La Feria	61.00	OCC	11	Rural	\$ 300,000	16			
						\$6,495,000	162	\$3,171,327	60	

Total OCC U / E Funds Recommended **\$3,171,327**
Remaining Region 11 funds \$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

**2005 Single Family Finance Production - HOME Program
Region 12 Recommendations
(Subject to the Regional Allocation Formula*)**

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 12 \$ 1,283,485

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 12 TBRA FUNDS \$256,697

Total Amount available for TBRA Urban/Exurban \$154,532

Total Amount available for TBRA Rural \$102,165

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
	No Applicants									

Total TBRA Funds Recommended \$0
Remaining TBRA funds moved to OCC Rural \$256,697

AVAILABLE REGION 12 OCC FUNDS \$1,026,788

Total Amount available for OCC Urban / Exurban \$618,126

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0071	City of Midland	67.00	OCC	12	U/E	\$ 150,000	5	\$ 150,000	5	Gen.
						\$150,000	5	\$150,000	5	

Total OCC U/E Funds Recommended \$150,000
Remaining OCC U/E funds moved to OCC Rural \$468,126

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 12 Recommendations

(Subject to the Regional Allocation Formula*)

Total Amount available for OCC Rural	\$408,662
Add remaining OCC Urban/Exurban	\$468,126
Add remaining TBRA	<u>\$256,697</u>
	\$1,133,485

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0156	City of Bronte	95.00	OCC	12	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0189	City of Wickett	95.00	OCC	12	Rural	\$ 495,000	9	\$ 495,000	9	Gen.
2005-0044	City of McCamey	77.00	OCC	12	Rural	\$ 330,000	6	\$ 143,485	3	Gen.
2005-0043	City of Seminole	74.00	OCC	12	Rural	\$ 495,000	9			

\$1,815,000 33 \$1,133,485 21

Total OCC Rural Funds Recommended **\$1,133,485**

Remaining Region 12 funds \$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 13 Recommendations

*(Subject to the Regional Allocation Formula *)*

U/E = Urban / Exurban	PWD = Persons with Disabilities	OCC = Owner Occupied Assistance
R = Rural	Gen. = General	ADDI = American Dream Downpayment Initiative
		TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE TO REGION 13 \$ 468,966

Applicants below the bold line did not meet the threshold score requirement.

AVAILABLE REGION 13 TBRA FUNDS \$93,793

Total Amount available for TBRA Rural \$60,590

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
	<i>No Applicants</i>									

Total TBRA Rural Funds Recommended \$0
 Remaining TBRA Rural funds moved to TBRA U/E \$60,590

Total Amount available for TBRA Urban/Exurban \$33,203

Add remaining TBRA Rural \$60,590

\$93,793

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0113	El Paso Community Action Program	62.33	TBRA	13	U/E	\$ 193,666	20	\$ 93,793	10	Gen.
						\$ 193,666	20	\$ 93,793	10	

Total TBRA Rural Funds Recommended \$93,793
 Remaining TBRA funds moved to OCC Rural \$0

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

2005 Single Family Finance Production - HOME Program

Region 13 Recommendations

*(Subject to the Regional Allocation Formula *)*

AVAILABLE REGION 13 OCC FUNDS **\$375,173**

Total Amount available for OCC Urban/Exurban **\$132,811**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0019	City of Socorro	89.00	OCC	13	U/E	\$ 255,299	6	\$ 132,811	3	Gen.
						\$255,299		\$132,811	3	

Total OCC U/E Funds Recommended **\$132,811**

Remaining OCC U/E funds moved to OCC Rural **\$0**

Total Amount available for OCC Rural **\$242,361**

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0157	City of Dell City	96.00	OCC	13	Rural	\$ 495,000	9	\$ 121,180	3	Gen.
2005-0158	Hudspeth County	96.00	OCC	13	Rural	\$ 495,000	9	\$ 121,180	3	Gen.
						\$990,000	18	\$242,361	6	

Total OCC Rural Funds Recommended **\$242,361**

Remaining Region 13 funds **\$0**

* DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- \$1.00

**2005 Single Family Finance Production - HOME Program
Recommendations for American Dream Downpayment Initiative**

U/E = Urban / Exurban

PWD = Persons with Disabilities

OCC = Owner Occupied Assistance

R = Rural

Gen. = General

ADDI = American Dream Downpayment Initiative

TBRA = Tenant Based Rental Assistance

TOTAL AMOUNT AVAILABLE FOR ADDI \$ 5,394,878

Applicants below the bold line did not meet the threshold score requirement.

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0004	Coto De Casa, Incorporated	92.34	ADDI	11	N/A	\$ 190,000	19	\$ 190,000	19	Gen.
2005-0182	El Paso Collab. for Comm. & Econ. Dev.	92.00	ADDI	13	N/A	\$ 450,000	50	\$ 450,000	50	Gen.
2005-0086	Midland Habitat for Humanity	88.00	ADDI	12	N/A	\$ 40,000	4	\$ 40,000	4	Gen.
2005-0082	City of San Benito	86.00	ADDI	11	N/A	\$ 300,000	30	\$ 300,000	30	Gen.
2005-0120	El Desarrollo Comunitario Incorporated	83.00	ADDI	13	N/A	\$ 300,000	30	\$ 300,000	30	Gen.
2005-0203	Kingsville Housing Authority	79.00	ADDI	10	N/A	\$ 100,000	15	\$ 100,000	15	Gen.
2005-0168	City of Mexia	76.00	ADDI	8	N/A	\$ 500,000	50	\$ 500,000	50	Gen.
2005-0002	FUTURO Communities, Incorporated	75.00	ADDI	11	N/A	\$ 300,000	30	\$ 300,000	30	Gen.
2005-0142	Travis County Housing Finance Corp.	75.00	ADDI	7	N/A	\$ 214,500	30	\$ 214,500	30	Gen.
2005-0037	Community Council of Southwest Texas, Inc	74.50	ADDI	11	N/A	\$ 500,000	50	\$ 500,000	50	Gen.
2005-0062	Temple Housing Authority	73.66	ADDI	8	N/A	\$ 500,000	48	\$ 500,000	48	Gen.
2005-0103	City of Commerce	72.00	ADDI	3	N/A	\$ 100,000	10	\$ 100,000	10	Gen.
2005-0039	Edinburg Housing Authority	71.00	ADDI	11	N/A	\$ 500,000	50	\$ 500,000	50	Gen.
2005-0112	SE Texas Housing Finance Corporation	70.13	ADDI	6	N/A	\$ 500,000	60	\$ 500,000	60	Gen.
2005-0034	City of Bonham	70.00	ADDI	3	N/A	\$ 100,000	10	\$ 100,000	10	Gen.
2005-0054	City of Whitney	70.00	ADDI	8	N/A	\$ 200,000	20	\$ 200,000	20	Gen.
2005-0059	HA of the City of Beaumont	68.67	ADDI	5	N/A	\$ 50,000	5	\$ 50,000	5	Gen.
2005-0140	City of Los Fresnos	68.00	ADDI	11	N/A	\$ 450,000	45	\$ 450,000	45	Gen.
2005-0069	La Gloria Development Corporation	67.00	ADDI	11	N/A	\$ 120,000	12	\$ 54,752	6	Gen.
2005-0105	City of Mineola	67.00	ADDI	4	N/A	\$ 100,000	10	\$ 45,626	5	Gen.
2005-0026	City of Queen City	66.00	ADDI	4	N/A	\$ 180,000	18			
2005-0093	City of Trenton	66.00	ADDI	3	N/A	\$ 120,000	12			
2005-0126	City of Midland	66.00	ADDI	12	N/A	\$ 82,000	20			
2005-0205	Spectrum Housing, Inc.	65.00	ADDI	7	N/A	\$ 500,000	60			

**2005 Single Family Finance Production - HOME Program
Recommendations for American Dream Downpament Initiative**

ADDI continued

Application Number	Applicant	Score	Activity	Region	U / E or R	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served
2005-0065	City of Primera	64.00	ADDI	11	N/A	\$ 100,000	10			
2005-0180	Texas Neighborhood Services	63.00	ADDI	3	N/A	\$ 500,000	50			
2005-0025	City of Hughes Springs	60.00	ADDI	4	N/A	\$ 100,000	10			
2005-0040	City of McKinney	60.00	ADDI	3	N/A	\$ 500,000	50			
2005-0068	CDC of Brownsville	60.00	ADDI	11	N/A	\$ 500,000	50			
2005-0109	HA of the City of Del Rio	60.00	ADDI	11	N/A	\$ 500,000	50			
2005-0090	City of Bay City	59.00	ADDI	6	N/A	\$ 250,000	25			
2005-0046	City of Terrell	54.00	ADDI	3	N/A	\$ 100,000	10			
2005-0107	City of Wake Village	50.00	ADDI	4	N/A	\$ 250,000	25			
2005-0100	City of Cooper	49.00	ADDI	4	N/A	\$ 100,000	10			
2005-0206	ALT Affordable Housing Services, Inc.	0.00	ADDI	7	N/A	\$ 500,000	60			
						\$9,296,500	978	\$ 5,394,878	567	

Total ADDI Funds Recommended \$ **5,394,878**

Remaining ADDI funds \$ **0**

**Financial Administration Division
Board Action Request
August 19, 2005**

Action Item

The Department staff will present the FY 2006 Operating Budget for the Board's consideration and approval.

Required Action

The Board approve the attached FY 2006 Operating Budget for fiscal year beginning September 1, 2005 through August 31, 2006.

Background

The Operating Budget for FY 2006 is within the appropriations approved by the 79th Legislature but does not include the pass-through grant funds. The Board previously reviewed a draft of this budget at the July 14th Board Meeting.

Recommendation

The Board approve the Budget.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS**



FY-2006 DRAFT OPERATING BUDGET
(September 1, 2005 through August 31, 2006)

August 11, 2005

Prepared by the Financial Administration Division

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2006 DRAFT OPERATING BUDGET**

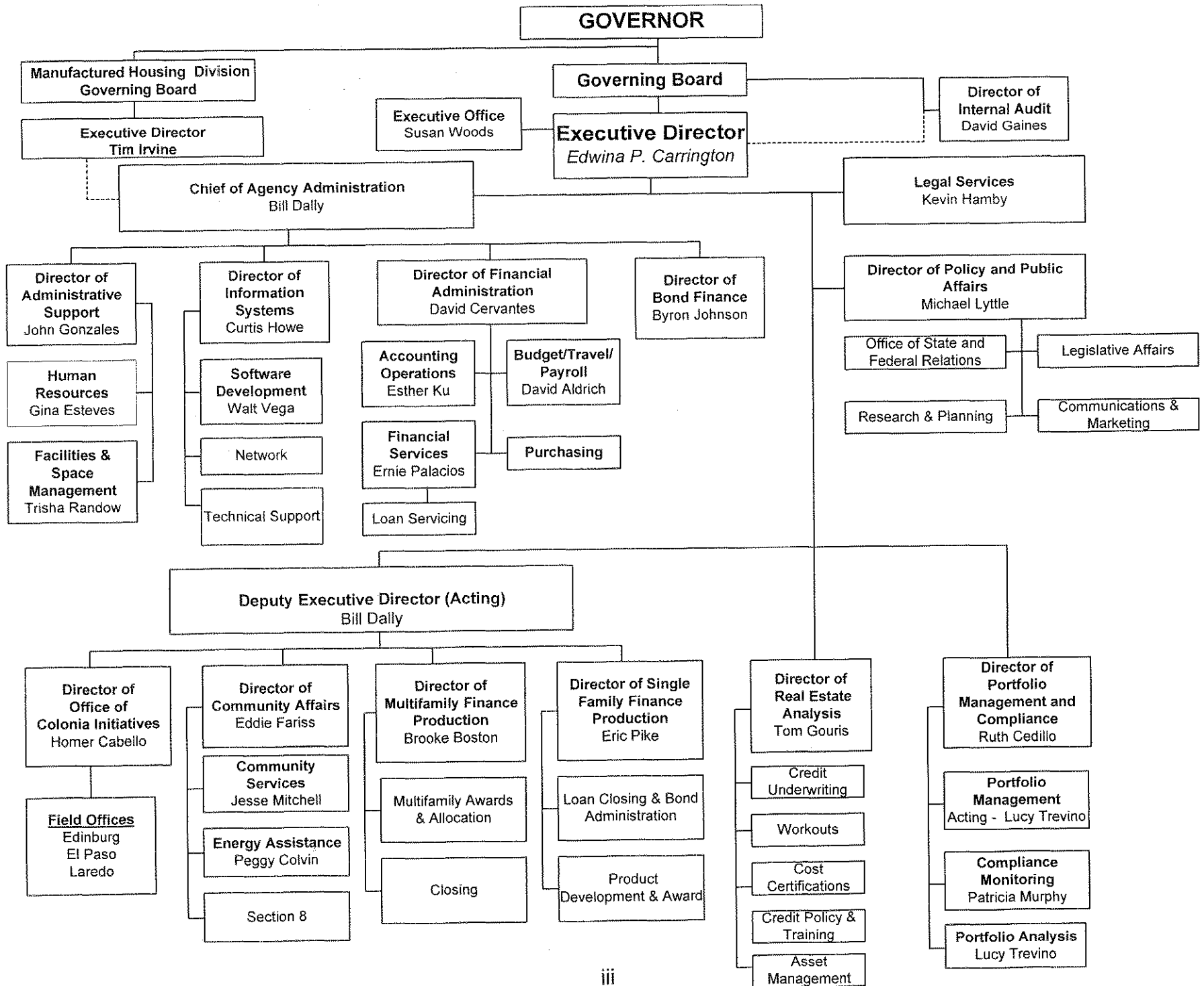
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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2006 DRAFT OPERATING BUDGET**

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Comparison by Division

Method of Finance Chart

Comparison by Expense Object

FTEs by Division

Capital Budget

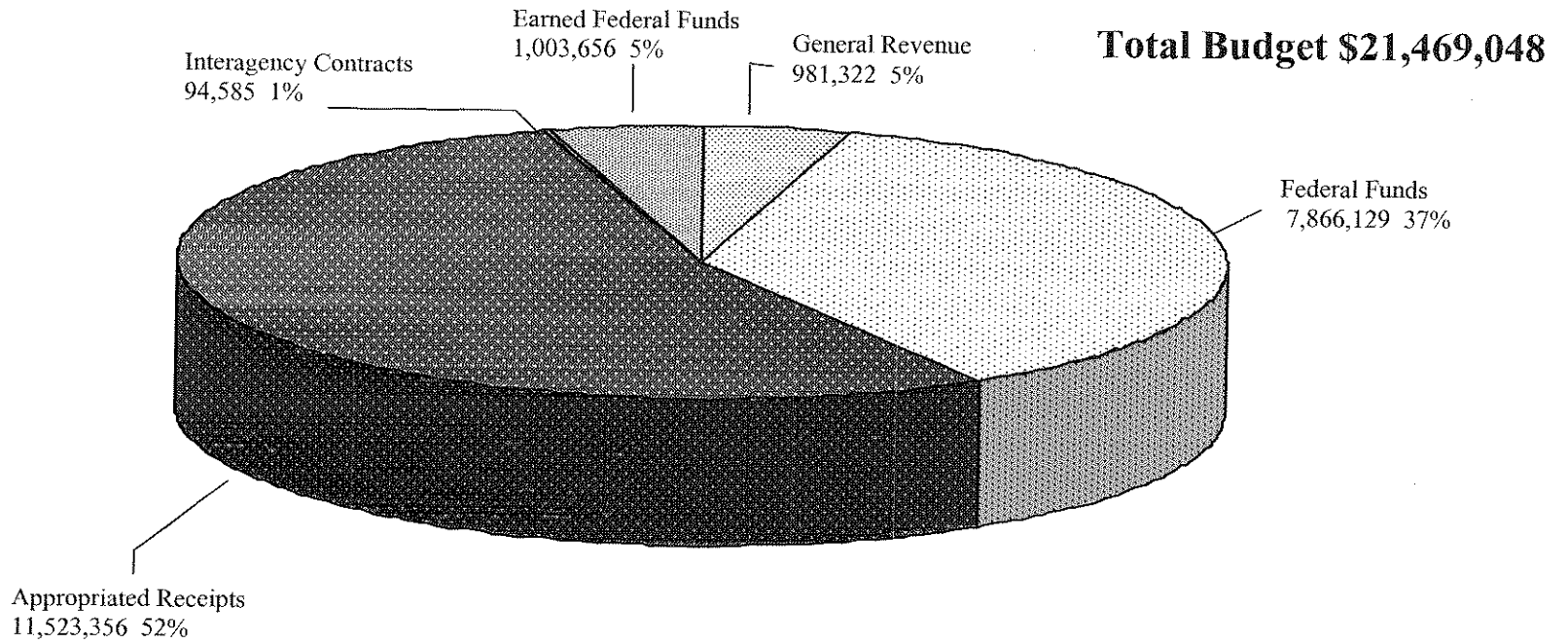
Capital Budget by Project

Move Related Budget

Texas Department of Housing and Community Affairs
 Comparison by Division
 Appropriation Years 2005 and 2006

	FY05 Budget (a)	FY06 Budget (b)	Variance (b-a)	Percentage Change	FY05 FTEs	FY06 FTEs	FTE Variance
Housing Programs Division:							
Office of Colonia Initiatives	\$ 573,079	\$ 590,572	\$ 17,493	3.1%	8.0	8.0	0.0
Community Affairs Administration	223,048	242,985	19,937	8.9%	3.0	3.0	0.0
Community Services Programs	947,094	995,440	48,346	5.1%	15.0	15.0	0.0
Energy Assistance	1,167,887	1,326,327	158,441	13.6%	16.0	16.0	0.0
Section 8	488,371	468,562	(19,808)	-4.1%	8.0	7.0	(1.0)
Multifamily Finance Production	958,267	1,037,221	78,954	8.2%	13.0	14.0	1.0
Single Family Finance Production	1,160,150	1,214,834	54,683	4.7%	13.0	13.0	0.0
Subtotal, Housing Programs Division	5,517,896	5,875,941	358,045	6.5%	76.0	76.0	0.0
Housing Operations Division:							
Real Estate Analysis	708,222	838,745	130,523	18.4%	10.0	11.0	1.0
Portfolio Management and Compliance	3,780,822	3,852,629	71,808	1.9%	44.0	44.0	0.0
Bond Finance	388,512	398,272	9,760	2.5%	4.0	4.0	0.0
Subtotal, Housing Operations Division	4,877,556	5,089,646	212,091	4.3%	58.0	59.0	1.0
Executive Administration							
Executive Office	646,968	576,891	(70,077)	-10.8%	6.0	5.0	(1.0)
Board	80,300	77,600	(2,700)	-3.4%			
Legal Services	711,328	727,646	16,318	2.3%	6.0	6.0	0.0
Internal Audit	213,228	276,483	63,255	29.7%	3.0	4.0	1.0
Policy and Public Affairs	1,089,415	1,079,488	(9,926)	-0.9%	14.0	13.0	(1.0)
Subtotal, Executive Administration	2,741,238	2,738,107	(3,131)	-0.1%	29.0	28.0	(1.0)
Agency Administration:							
Director's Office of Financial Administration	447,200	487,511	40,311	9.0%	6.0	6.0	0.0
Accounting Operations	714,625	769,645	55,020	7.7%	12.0	12.0	0.0
Financial Services	1,049,187	1,090,387	41,200	3.9%	15.0	15.0	0.0
Purchasing	244,584	231,727	(12,857)	-5.3%	4.0	4.0	0.0
Human Resources	368,209	363,781	(4,428)	-1.2%	6.0	5.0	(1.0)
Facilities and Space Management	284,648	297,083	12,435	4.4%	5.0	5.0	0.0
Information Systems	1,302,564	1,395,722	93,158	7.2%	18.0	19.0	1.0
Subtotal, Agency Administration	4,411,015	4,635,855	224,839	5.1%	66.0	66.0	0.0
Capital Budget (Note: \$10,000 in MH budget)	490,000	695,000	205,000	41.8%			
Payroll Related Costs	2,719,777	2,924,547	204,770	7.5%			
Total, Department	\$ 20,757,481	\$ 21,959,096	\$ 1,201,615	5.8%	229.0	229.0	0.0
Method of Finance:							
General Revenue	\$ 914,053	\$ 981,322	67,269	7.4%			
Earned Federal Funds	1,006,351	1,003,656	(2,695)	-0.3%			
Federal Funds	7,009,482	7,866,129	856,647	12.2%			
Bond Admin Fees	5,220,806	5,500,401	279,595	5.4%			
LIHTC Fees	5,018,265	5,020,834	2,569	0.1%			
Affordable Housing Disposition Fees	986,744	1,002,121	15,377	1.6%			
Interagency Contract (ORCA)	101,781	94,585	(7,195)	-7.1%			
Appropriated Receipts - MH	500,000	490,048	(9,951)	-2.0%			
Total, Method of Finance	\$ 20,757,481	\$ 21,959,096	\$ 1,201,615	5.8%			

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY 2006 Method of Finance**



<u>Type</u>	<u>2005</u>	<u>2006</u>
General Revenue	914,053	981,322
Federal Funds	7,009,482	7,866,129
Appropriated Receipts	11,225,815	11,523,356
Interagency Contracts	101,781	94,585
Earned Federal Funds	1,006,350	1,003,656
	<u>20,257,481</u>	<u>21,469,048</u>
MH Support	500,000	490,048
Total MOF	20,757,481	21,959,096

Texas Department of Housing and Community Affairs
 Comparison by Expense Object
 Appropriation Years 2005 and 2006

	FY05 Budget (a)	FY06 Budget (b)	Variance (b-a)	Percentage Change	One Time Move Related
Salaries and Wages	\$ 11,807,586	\$ 12,715,422	\$ 907,836	7.7%	
Payroll Related Costs	2,719,777	2,924,547	204,770	7.5%	
Travel In-State	520,387	500,587	(19,800)	-3.8%	
Travel Out-of-State	100,315	100,315	-	0.0%	
Professional Fees	1,841,400	2,360,731	519,331	28.2%	
Material and Supplies	407,889	436,799	28,910	7.1%	
Repairs/Maintenance	249,936	415,503	165,567	66.2%	70,330
Printing and Reproduction	131,536	130,791	(745)	-0.6%	
Rentals and Leases	1,732,435	745,412	(987,023)	-57.0%	
Membership Fees	78,065	79,975	1,910	2.4%	
Fees and Other Charges	284,317	310,168	25,851	9.1%	
Employee Tuition	9,700	11,000	1,300	13.4%	
Advertising	75,600	75,000	(600)	-0.8%	
Freight/Delivery	22,350	24,350	2,000	8.9%	
Temporary Help	219,175	452,544	233,369	106.5%	212,501
Furniture and Equipment	57,000	270,532	213,532	374.6%	218,788
Communication and Utilities	264,852	215,258	(49,594)	-18.7%	
Capital Outlay	175,000	130,000	(45,000)	-25.7%	
State Office of Risk Management	60,162	60,162	-	0.0%	
Total Department	\$ 20,757,481	\$ 21,959,096	\$ 1,201,615	5.8%	\$ 501,619
FTE's	229.00	229.00	0.00		
Method of Finance:					
General Revenue	\$ 914,053	\$ 981,322	67,269	7.4%	
Earned Federal Funds	1,006,351	1,003,656	(2,695)	-0.3%	
Federal Funds	7,009,482	7,866,129	856,647	12.2%	
Bond Admin Fees	5,220,806	5,500,401	279,595	5.4%	
Housing Tax Credit	5,018,265	5,020,834	2,569	0.1%	
Affordable Housing Disposition Fees	986,744	1,002,121	15,377	1.6%	
Interagency Contracts	101,781	94,585	(7,195)	-7.1%	
Appropriated Receipts - MH	500,000	490,048	(9,951)	-2.0%	
Total, Method of Finance	20,757,481	21,959,096	1,201,615	5.8%	

Note: Total move related costs are estimated at \$589,000. Manufactured Housing is estimated at \$87,381

Texas Department of Housing and Community Affairs
 FTEs by Division
 Internal Operating Budget
 Fiscal Year 2006

Executive Administration:	
Executive Office	5.00
Legal Services	6.00
Internal Audit	4.00
Policy and Public Affairs	13.00
Total, Executive Administration	<u>28.00</u>
Agency Administration:	
Human Resources	5.00
Facilities	5.00
Information Services	19.00
Director's Office of Financial Administration	6.00
Accounting Operations	12.00
Financial Services	15.00
Purchasing	4.00
Total, Agency Administration	<u>66.00</u>
Housing Programs Division:	
Office of Colonia Initiatives	8.00
Division Administration-Community Affairs	3.00
Community Services	15.00
Energy Assistance	16.00
Section 8	7.00
Multi Family Finance Production	14.00
Single Family Finance Production	13.00
Total, Housing Programs Division	<u>76.00</u>
Housing Operations Division:	
Real Estate Analysis	11.00
Portfolio Management and Compliance	44.00
Bond Finance	4.00
Total, Housing Operations Division	<u>59.00</u>
Subtotal, Housing and Community Affairs	229.00
Manufactured Housing	<u>64.00</u>
Total, Agency Wide	<u><u>293.00</u></u>

Note: The Department is limited to 298 FTEs.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 CAPITAL BUDGET
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	FEDERAL FUNDS	LIHTC	AHDP	BOND ADMIN FEES
Salaries					
Payroll Related Costs					
Travel In-State					
Travel Out-of-State					
Professional Fees	565,000	365,000	100,000		100,000
Materials/Supplies	0				
Repairs/Maintenance	0				
Printing and Reproduction	0				
Rental/Lease	0				
Membership Dues	0				
Fees and Other Charges	0				
Employee Tuition	0				
Advertising	0				
Freight/Delivery	0				
Temporary Help	0				
Furniture/Equipment	0				
Communications/Utilities	0				
Capital Outlay	130,000	42,000	88,000	0	0
State Office of Risk Management					
Total	<u>695,000</u>	<u>407,000</u>	<u>188,000</u>	<u>0</u>	<u>100,000</u>

Notes:

1. Capital Outlay Category is Normal Growth/Integrate Systems.
2. Professional Fees include the PeopleSoft 8.8 Implementation, Community Services/Energy Assistance System and the Section 8 system.
3. Does not tie to the Capital Budget Rider due to \$10,000 budgeted in Manufactured Housing for Normal Growth

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 CAPITAL BUDGET by PROJECT
 FISCAL YEAR 2006

<u>Project Name</u>	<u>Federal Funds</u>	<u>Appropriated Receipts</u>	<u>Total</u>	<u>Professional Services</u>	<u>Capital Outlay</u>
Normal Growth/Integrate Sysyems	42,000	98,000	140,000		140,000
PeopleSoft 8.8 Implementation	200,000	200,000	400,000	400,000	
Community Services/Energy Assistance Contract	100,000		100,000	100,000	
Section 8 Sysytem	65,000		65,000	65,000	
Total, Fiscal Year 2006	<u>407,000</u>	<u>298,000</u>	<u>705,000</u>	<u>565,000</u>	<u>140,000</u>

Texas Department of Housing and Community Affairs
 Move Related Budget
 Appropriation Year 2006

	Design Fees	Renovation Finishout	Move Office Contents	Subtotal Temporary Help	Furn/Equip Modular POD Parts	Furn/Equip Director's Cubes	Subtotal Furn/Equip	Maint/Repair Telephone Move-Set Up	Maint/Repair Cabling	Subtotal Maint/Repair	Total
Executive Administration:											
Executive Office	342	3,103	1,195	4,640	2,048	9,615	11,663	683	853	1,536	17,839
Legal Services	410	3,725	1,433	5,568	2,457		2,457	819	1,024	1,843	9,868
Internal Audit	274	2,483	956	3,713	1,638	9,615	11,253	546	683	1,229	16,195
Policy and Public Affairs	886	8,070	3,106	12,062	5,324	9,620	14,944	1,760	2,218	3,978	30,984
Total, Executive Administration	1,912	17,381	6,690	25,983	11,467	28,850	40,317	3,808	4,778	8,586	74,886
Agency Administration:											
Human Resources	342	3,103	1,195	4,640	2,048	9,615	11,663	683	853	1,536	17,839
Facilities and Space Management	342	3,103	1,195	4,640	2,048		2,048	683	853	1,536	8,224
Information Services	1,296	11,795	4,539	17,630	7,782	9,615	17,397	2,594	3,242	5,836	40,863
Director's Office - Financial Administration	410	3,725	1,433	5,568	2,457	9,615	12,072	819	1,024	1,843	19,483
Accounting Operations	820	7,450	2,867	11,137	4,915		4,915	1,638	2,048	3,686	19,738
Financial Services	1,024	9,311	3,584	13,919	6,143		6,143	2,048	2,560	4,608	24,670
Purchasing	274	2,483	956	3,713	1,638		1,638	546	683	1,229	6,580
Total, Agency Administration	4,508	40,970	15,769	61,247	27,031	28,845	55,876	9,011	11,263	20,274	137,397
Housing Programs Division:											
Office of Colonia Initiatives	546	4,966	1,911	7,423	3,276	9,615	12,891	1,092	1,365	2,457	22,771
Community Affairs - Administration	204	1,862	717	2,783	1,229	9,615	10,844	410	512	922	14,549
Community Services	1,024	9,311	3,584	13,919	6,143		6,143	2,048	2,560	4,608	24,670
Energy Assistance	1,092	9,933	3,823	14,848	6,553		6,553	2,184	2,730	4,914	26,315
Section 8	478	4,345	1,672	6,495	2,867		2,867	956	1,195	2,151	11,513
Multi Family Housing Production	956	8,691	3,345	12,992	5,734	9,615	15,349	1,911	2,389	4,300	32,641
Single Family Housing Production	888	8,070	3,106	12,064	5,324	9,615	14,939	1,775	2,218	3,993	30,996
Total, Housing Programs Division	5,188	47,178	18,158	70,524	31,126	38,460	69,586	10,376	12,969	23,345	163,455
Housing Operation Division:											
Real Estate Analysis	750	6,828	2,628	10,206	4,505	9,615	14,120	1,502	1,877	3,379	27,705
Portfolio Management and Compliance	3,004	27,314	10,512	40,830	18,020	9,615	27,635	6,007	7,509	13,516	81,981
Bond Finance	274	2,483	956	3,713	1,638	9,615	11,253	546	683	1,229	16,195
Total, Housing Operations Division	4,028	36,625	14,096	54,749	24,163	28,845	53,008	8,055	10,069	18,124	125,881
Subtotal, Department	15,636	142,155	54,710	212,501	93,786	125,000	218,786	31,250	39,080	70,330	501,619
Manufactured Housing Division	4,364	21,845	15,290	41,499	26,214	0	26,214	8,750	10,920	19,670	87,381
Total, Department	20,000	164,000	70,000	254,000	120,000	125,000	245,000	40,000	50,000	90,000	589,000

Executive Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
EXECUTIVE ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	AHDP	HOME
Salaries	1,831,009	59,924	711,466	52,839	868,455	0	138,325
					0		
Travel In-State	73,075	5,600	29,038	0	33,338	0	5,100
Travel Out-of-State	30,100	2,950	10,920	0	15,480	0	750
Professional Fees	329,431	625	327,056	0	1,750	0	0
Materials/Supplies	86,391	6,508	36,178	0	39,479	0	4,227
Repairs/Maintenance	36,140	4,627	13,260	0	14,757	0	3,495
Printing and Reproduction	25,307	799	11,769	0	6,428	0	6,311
Rental/Lease	98,786	9,749	39,377	0	42,048	0	7,612
Membership Dues	8,500	1,525	2,625	0	4,200	0	150
Fees and Other Charges	74,548	9,281	26,400	0	36,009	0	2,858
Employee Tuition	1,700	1,020	0	0	680	0	0
Advertising	1,200	180	450	0	570	0	0
Freight/Delivery	7,100	750	2,500	0	3,700	0	150
Temporary Help	59,052	4,536	24,680	0	24,406	0	5,430
Furniture/Equipment	45,812	10,703	12,122	0	21,820	0	1,167
Communications/Utilities	29,956	4,302	10,046	0	13,323	0	2,286
Capital Outlay	0	0	0	0	0	0	0
State Office of Risk Management	0	0	0	0	0	0	0
Total	2,738,107	123,078	1,257,887	52,839	1,126,442	0	177,861

Note:

Executive Administration Includes:

- Executive Office
- Board
- Legal Services
- Internal Audit
- Policy and Public Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
EXECUTIVE OFFICE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	AHDP	LIHTC
Salaries	451,840	0	110,280	0	341,560
Travel In-State	20,000	5,000	3,000		12,000
Travel Out-of-State	11,800	2,950	1,770		7,080
Professional Fees	2,500	625	375		1,500
Materials/Supplies	11,257	2,814	1,689		6,754
Repairs/Maintenance	6,732	1,683	1,010		4,039
Printing and Reproduction	1,546	387	232		928
Rental/Lease	13,355	3,339	2,003		8,013
Membership Dues	2,500	625	375		1,500
Fees and Other Charges	22,161	5,540	3,324		13,297
Employee Tuition	0	0	0		0
Advertising	0	0	0		0
Freight/Delivery	3,000	750	450		1,800
Temporary Help	7,527	1,882	1,129		4,516
Furniture/Equipment	13,163	3,291	1,974		7,898
Communications/Utilities	9,510	2,378	1,427		5,706
Capital Outlay	0	0	0		0
State Office of Risk Management	0				
Total	576,891	31,263	129,037	0	416,591

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 BOARD
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC
Salaries				
Payroll Related Costs				
Travel In-State	19,000	0	9,500	9,500
Travel Out-of-State	8,600		4,300	4,300
Professional Fees	500		250	250
Materials/Supplies	4,000		2,000	2,000
Repairs/Maintenance	1,000		500	500
Printing and Reproduction	1,000		500	500
Rental/Lease	2,000		1,000	1,000
Membership Dues	1,000		500	500
Fees and Other Charges	21,000		10,500	10,500
Employee Tuition	0		0	0
Advertising	500		250	250
Freight/Delivery	3,000		1,500	1,500
Temporary Help	15,000		7,500	7,500
Furniture/Equipment	1,000		500	500
Communications/Utilities	0		0	0
Capital Outlay	0			
State Office of Risk Management				
Total	77,600	0	38,800	38,800

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 LEGAL SERVICES
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	AHDP	LIHTC
Salaries	425,695	0	207,611	0	218,084
Travel In-State	4,075		2,038		2,038
Travel Out-of-State	2,800		1,400		1,400
Professional Fees	200,000		200,000		
Materials/Supplies	40,109		20,055		20,055
Repairs/Maintenance	7,558		3,779		3,779
Printing and Reproduction	655		328		328
Rental/Lease	16,025		8,013		8,013
Membership Dues	2,000		1,000		1,000
Fees and Other Charges	9,327		4,664		4,664
Employee Tuition	0		0		0
Advertising	400		200		200
Freight/Delivery	600		300		300
Temporary Help	10,133		5,067		5,067
Furniture/Equipment	3,457		1,729		1,729
Communications/Utilities	4,812		2,406		2,406
Capital Outlay	0		0		0
State Office of Risk Management	0				
Total	727,646	0	458,587	0	269,059

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	AHDP	MANUFACT. HOUSING APP REC	LIHTC
Salaries	223,331	59,924	0	21,788	141,619
Travel In-State	1,000	600			400
Travel Out-of-State	0	0			0
Professional Fees	0	0			0
Materials/Supplies	6,156	3,694			2,462
Repairs/Maintenance	4,907	2,944			1,963
Printing and Reproduction	687	412			275
Rental/Lease	10,683	6,410			4,273
Membership Dues	1,500	900			600
Fees and Other Charges	6,235	3,741			2,494
Employee Tuition	1,700	1,020			680
Advertising	300	180			120
Freight/Delivery	0	0			0
Temporary Help	4,423	2,654			1,769
Furniture/Equipment	12,353	7,412			4,941
Communications/Utilities	3,208	1,925			1,283
Capital Outlay	0	0			0
State Office of Risk Management	0	0			0
Total	276,483	91,815	0	21,788	162,880

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 POLICY AND PUBLIC AFFAIRS
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	HOME
Salaries	730,144	393,576	31,052	167,192	138,325
	0	0		0	0
Travel In-State	29,000	14,500		9,400	5,100
Travel Out-of-State	6,900	3,450		2,700	750
Professional Fees	126,431	126,431		0	0
Materials/Supplies	24,869	12,435		8,208	4,227
Repairs/Maintenance	15,943	7,972		4,476	3,495
Printing and Reproduction	21,419	10,710		4,398	6,311
Rental/Lease	56,723	28,362		20,749	7,612
Membership Dues	1,500	750		600	150
Fees and Other Charges	15,825	7,913		5,055	2,858
Employee Tuition	0	0		0	0
Advertising	0	0		0	0
Freight/Delivery	500	250		100	150
Temporary Help	21,969	10,985		5,554	5,430
Furniture/Equipment	15,839	7,920		6,752	1,167
Communications/Utilities	12,426	6,213		3,927	2,286
Capital Outlay	0	0		0	0
State Office of Risk Management	0	0		0	0
Total	1,079,488	631,463	31,052	239,112	177,861

Housing Programs Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING PROGRAMS DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	OCI GENERAL REVENUE	HTF MULTI FAMILY GENERAL REVENUE	HTF SINGLE FAMILY GENERAL REVENUE	ORCA IAC	FEDERAL FUNDS	LIHTC	MULTI FAMILY BOND ADMIN FEES	SINGLE FAMILY BOND ADMIN FEES
Salaries	3,923,712	40,555	82,638	89,836	76,899	2,846,315	188,245	229,564	369,659
				0					
Travel In-State	252,562	40,000	2,500	18,400	0	168,162	6,250	5,750	11,500
Travel Out-of-State	34,330	3,000	1,150	2,292	0	20,936	2,875	2,645	1,433
Professional Fees	452,900	0	720	1,500	0	404,604	1,800	1,656	42,620
Materials/Supplies	172,053	0	3,192	11,651	0	126,998	7,981	7,342	14,889
Repairs/Maintenance	162,210	0	1,717	9,030	0	131,752	4,293	3,949	11,469
Printing and Reproduction	63,297	0	453	16,636	0	32,525	1,132	1,041	11,510
Rental/Lease	274,660	0	4,364	30,770	0	174,834	10,911	10,038	43,744
Membership Dues	21,005	0	200	1,050	0	17,545	500	460	1,250
Fees and Other Charges	72,210	0	1,470	7,672	0	47,080	3,674	3,380	8,933
Employee Tuition	3,200	0	200	390	0	1,050	500	460	600
Advertising	59,100	0	250	25,500	0	5,650	625	575	26,500
Freight/Delivery	8,700	0	350	250	0	5,670	875	805	750
Temporary Help	164,412	0	6,988	11,734	0	96,299	17,469	16,072	15,850
Furniture/Equipment	100,186	0	1,585	9,738	0	66,327	3,962	3,645	14,928
Communications/Utilities	76,456	0	1,123	8,915	0	45,710	2,807	2,583	15,319
Capital Outlay	0	0	0	0	0	0	0	0	0
State Office of Risk Management	34,948	259	1,144	0	0	21,557	4,825	976	6,187
Total	5,875,941	83,814	110,044	245,365	76,899	4,213,015	258,724	290,942	597,140

Note:

Housing Programs Division Includes:
Office of Colonia Initiatives
Community Affairs
Multi Family Finance Production
Single Family Finance Production

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
OFFICE OF COLONIA INITIATIVES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	HOME	IAC ORCA	GENERAL REVENUE	HTF SINGLE FAMILY GENERAL REVENUE	BOND ADMIN FEES
Salaries	416,890	77,055	76,899	40,555	40,555	181,827
Travel In-State	40,000			40,000		
Travel Out-of-State	3,000			3,000		
Professional Fees	6,000				1,500	4,500
Materials/Supplies	12,812				3,203	9,609
Repairs/Maintenance	9,811				2,453	7,358
Printing and Reproduction	1,873				468	1,405
Rental/Lease	41,284				10,321	30,963
Membership Dues	1,000				250	750
Fees and Other Charges	6,969				1,742	5,227
Employee Tuition	600				150	450
Advertising	2,000				500	1,500
Freight/Delivery	1,000				250	750
Temporary Help	14,343				3,586	10,757
Furniture/Equipment	14,891				3,723	11,168
Communications/Utilities	16,416				4,104	12,312
Capital Outlay	0				0	0
State Office of Risk Management	1,683			259		1,424
Total	590,572	77,055	76,899	83,814	72,805	280,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE ENTERP	FEDERAL FUNDS
Salaries	2,007,488	0	2,007,488
Travel In-State	141,562	0	141,562
Travel Out-of-State	14,100	0	14,100
Professional Fees	264,400	0	264,400
Materials/Supplies	106,199	0	106,199
Repairs/Maintenance	118,785	0	118,785
Printing and Reproduction	16,477	0	16,477
Rental/Lease	138,611	0	138,611
Membership Dues	16,005	0	16,005
Fees and Other Charges	35,719	0	35,719
Employee Tuition	0	0	0
Advertising	4,600	0	4,600
Freight/Delivery	4,200	0	4,200
Temporary Help	59,821	0	59,821
Furniture/Equipment	54,407	0	54,407
Communications/Utilities	36,784	0	36,784
Capital Outlay	0	0	0
State Office of Risk Management	14,157	0	14,157
Total	3,033,315	0	3,033,315

Note:

Community Affairs Includes:
Administration - Community Affairs
Community Services Program
Energy Assistance Program
Section 8

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 ADMINISTRATION-COMMUNITY AFFAIRS
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	CSBG	DOE GRANTEE	LIHEAP
Salaries	188,330	78,035	0	110,295
Travel In-State	5,000	2,500		2,500
Travel Out-of-State	5,000	2,500		2,500
Professional Fees	1,000	500		500
Materials/Supplies	3,555	1,778		1,778
Repairs/Maintenance	4,180	2,090		2,090
Printing and Reproduction	1,328	664		664
Rental/Lease	9,113	4,557		4,557
Membership Dues	1,500	750		750
Fees and Other Charges	4,114	2,057		2,057
Employee Tuition	0	0		0
Advertising	0	0		0
Freight/Delivery	500	250		250
Temporary Help	5,315	2,658		2,658
Furniture/Equipment	11,644	5,822		5,822
Communications/Utilities	2,406	1,203		1,203
Capital Outlay	0	0		0
State Office of Risk Management	0	0		0
Total	242,985	105,362	0	137,622

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY SERVICES PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	COMM SRVC BLK GRNT	EMERGENCY SHELTER
Salaries	744,379	591,756	152,623
Travel In-State	50,000	32,500	17,500
Travel Out-of-State	3,100	2,015	1,085
Professional Fees	18,800	18,800	
Materials/Supplies	23,773	23,773	
Repairs/Maintenance	18,397	18,397	
Printing and Reproduction	7,638	7,638	
Rental/Lease	61,065	61,065	
Membership Dues	7,050	7,050	
Fees and Other Charges	11,568	11,568	
Employee Tuition	0	0	
Advertising	0	0	
Freight/Delivery	1,000	1,000	
Temporary Help	21,581	21,581	
Furniture/Equipment	8,043	8,043	
Communications/Utilities	13,531	13,531	
Capital Outlay	0	0	
State Office of Risk Management	5,515	5,515	
Total	995,440	824,232	171,208

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ENERGY ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	DOE T&TA	DOE GRANTEE	LIHEAP
Salaries	765,542	85,779	114,264	565,500
Travel In-State	73,562	14,712	22,069	36,781
Travel Out-of-State	3,800	760	1,140	1,900
Professional Fees	177,600	53,280	53,280	71,040
Materials/Supplies	65,310	22,859	22,859	19,593
Repairs/Maintenance	87,622			87,622
Printing and Reproduction	3,747			3,747
Rental/Lease	49,736			49,736
Membership Dues	6,455			6,455
Fees and Other Charges	13,439			13,439
Employee Tuition	0			0
Advertising	4,000			4,000
Freight/Delivery	2,500			2,500
Temporary Help	20,688			20,688
Furniture/Equipment	30,553			30,553
Communications/Utilities	15,233			15,233
Capital Outlay	0			0
State Office of Risk Management	6,540	0	0	6,540
Total	1,326,327	177,390	213,611	935,327

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SECTION 8 - RENTAL ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	SECTION 8
Salaries	309,236	309,236
Travel In-State	13,000	13,000
Travel Out-of-State	2,200	2,200
Professional Fees	67,000	67,000
Materials/Supplies	13,561	13,561
Repairs/Maintenance	8,586	8,586
Printing and Reproduction	3,764	3,764
Rental/Lease	18,697	18,697
Membership Dues	1,000	1,000
Fees and Other Charges	6,598	6,598
Employee Tuition	0	0
Advertising	600	600
Freight/Delivery	200	200
Temporary Help	12,237	12,237
Furniture/Equipment	4,167	4,167
Communications/Utilities	5,614	5,614
Capital Outlay	0	0
State Office of Risk Management	2,102	2,102
Total	<u>468,562</u>	<u>468,562</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 MULTIFAMILY FINANCE PRODUCTION
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	LIHTC FEES	MULTI FAMILY BOND ADMIN FEES	HOME	HTF MULTI FAMILY GENERAL REVENUE
Salaries	767,661	188,245	229,564	267,213	82,638
Travel In-State	25,000	6,250	5,750	10,500	2,500
Travel Out-of-State	11,500	2,875	2,645	4,830	1,150
Professional Fees	7,200	1,800	1,656	3,024	720
Materials/Supplies	31,922	7,981	7,342	13,407	3,192
Repairs/Maintenance	17,170	4,293	3,949	7,211	1,717
Printing and Reproduction	4,528	1,132	1,041	1,902	453
Rental/Lease	43,643	10,911	10,038	18,330	4,364
Membership Dues	2,000	500	460	840	200
Fees and Other Charges	14,697	3,674	3,380	6,173	1,470
Employee Tuition	2,000	500	460	840	200
Advertising	2,500	625	575	1,050	250
Freight/Delivery	3,500	875	805	1,470	350
Temporary Help	69,877	17,469	16,072	29,348	6,988
Furniture/Equipment	15,849	3,962	3,645	6,657	1,585
Communications/Utilities	11,229	2,807	2,583	4,716	1,123
Capital Outlay	0	0	0	0	0
State Office of Risk Management	6,945	4,825	976		1,144
Total	1,037,221	258,724	290,942	377,512	110,044

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SINGLE FAMILY FINANCE PRODUCTION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	HOME	SINGLE FAMILY BOND ADMIN FEES	HTF SINGLE FAMILY GR
Salaries	731,674	494,560	187,833	49,281
Travel In-State	46,000	16,100	11,500	18,400
Travel Out-of-State	5,730	2,006	1,433	2,292
Professional Fees	175,300	137,180	38,120	
Materials/Supplies	21,120	7,392	5,280	8,448
Repairs/Maintenance	16,444	5,755	4,111	6,578
Printing and Reproduction	40,419	14,147	10,105	16,168
Rental/Lease	51,122	17,893	12,781	20,449
Membership Dues	2,000	700	500	800
Fees and Other Charges	14,825	5,189	3,706	5,930
Employee Tuition	600	210	150	240
Advertising	50,000		25,000	25,000
Freight/Delivery	0	0	0	0
Temporary Help	20,371	7,130	5,093	8,148
Furniture/Equipment	15,039	5,264	3,760	6,016
Communications/Utilities	12,027	4,209	3,007	4,811
Capital Outlay	0	0	0	0
State Office of Risk Management	12,163	7,400	4,763	
Total	1,214,834	725,134	317,140	172,560

Housing Operations Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 HOUSING OPERATIONS DIVISION
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	SINGLE FAMILY BOND ADMIN FEES	MULTI FAMILY BOND ADMIN FEES	FEDERAL FUNDS	HTF MULTI FAMILY GENERAL REVENUE	AHDP	IAC - BOND REVIEW BOARD	LIHTC FEES
Salaries	3,326,368	274,652	76,914	1,504,548	59,341	325,498	0	1,085,415
		0		0				0
Travel In-State	140,500	6,500	400	67,600	0	26,000	0	40,000
Travel Out-of-State	27,850	9,101	425	2,763	0	5,800	0	9,762
Professional Fees	876,500	4,000	0	194,000	0	405,000	0	273,500
Materials/Supplies	86,656	8,258	1,174	21,568	0	21,089	0	34,567
Repairs/Maintenance	73,962	5,407	1,399	9,394	0	21,706	0	36,056
Printing and Reproduction	27,191	1,187	120	20,781	0	1,921	0	3,182
Rental/Lease	190,784	10,683	2,938	26,353	0	57,386	0	93,424
Membership Dues	43,850	35,000	50	3,700	0	1,990	0	3,110
Fees and Other Charges	57,865	9,350	1,218	17,919	0	10,533	0	18,845
Employee Tuition	2,600	2,000	60	390	0	0	0	150
Advertising	10,600	10,000	60	390	0	0	0	150
Freight/Delivery	3,500	1,250	25	1,163	0	400	0	663
Temporary Help	103,320	4,423	2,526	28,918	0	24,456	0	42,998
Furniture/Equipment	59,858	11,253	1,482	16,211	0	10,883	0	20,029
Communications/Utilities	50,821	5,208	882	6,035	0	14,596	0	24,100
Capital Outlay	0	0	0	0	0	0	0	0
State Office of Risk Management	7,421	0	0	0	0	0	0	7,421
Total	5,089,646	398,272	89,673	1,921,732	59,341	927,256	0	1,693,372

Note:

Housing Operations Division Includes:
 Real Estate Analysis
 Portfolio Management and Compliance
 Bond Finance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 REAL ESTATE ANALYSIS
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	LIHTC	HOME	HTF MULTI FAMILY GENERAL REVENUE	MULTI FAMILY BOND ADMIN FEES
Salaries	660,153	317,075	254,655	59,341	29,083
Travel In-State	4,000	1,000	2,600		400
Travel Out-of-State	4,250	1,063	2,763		425
Professional Fees	51,000	51,000			
Materials/Supplies	11,736	2,934	7,628		1,174
Repairs/Maintenance	13,991	3,498	9,094		1,399
Printing and Reproduction	1,201	300	781		120
Rental/Lease	29,380	7,345	19,097		2,938
Membership Dues	500	125	325		50
Fees and Other Charges	12,183	3,046	7,919		1,218
Employee Tuition	600	150	390		60
Advertising	600	150	390		60
Freight/Delivery	250	63	163		25
Temporary Help	25,258	6,315	16,418		2,526
Furniture/Equipment	14,820	3,705	9,633		1,482
Communications/Utilities	8,823	2,206	5,735		882
Capital Outlay	0	0	0		0
State Office of Risk Management	0	0	0	0	
Total	838,745	399,973	337,590	59,341	41,842

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 PORTFOLIO MANAGEMENT and COMPLIANCE
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE				MULTI FAMILY BOND		TAX CREDIT
		HTF	HOME	CSBG	LIHEAP	ADMIN FEES	AHDP	
Salaries	2,391,563		1,014,386	47,831	187,676	47,831	325,498	768,341
Travel In-State	130,000		65,000				26,000	39,000
Travel Out-of-State	14,499						5,800	8,699
Professional Fees	821,500		194,000				405,000	222,500
Materials/Supplies	66,662		13,940				21,089	31,633
Repairs/Maintenance	54,564		300				21,706	32,558
Printing and Reproduction	24,803		20,000				1,921	2,882
Rental/Lease	150,721		7,256				57,386	86,079
Membership Dues	8,350		3,375				1,990	2,985
Fees and Other Charges	36,332		10,000				10,533	15,799
Employee Tuition	0						0	0
Advertising	0						0	0
Freight/Delivery	2,000		1,000				400	600
Temporary Help	73,639		12,500				24,456	36,683
Furniture/Equipment	33,785		6,578				10,883	16,324
Communications/Utilities	36,790		300				14,596	21,894
Capital Outlay	0						0	0
State Office of Risk Management	7,421							7,421
Total	3,852,629	0	1,348,635	47,831	187,676	47,831	927,256	1,293,399

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 BOND FINANCE
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	SINGLE FAMILY BOND ADMIN FEES
Salaries	274,652	274,652
Travel In-State	6,500	6,500
Travel Out-of-State	9,101	9,101
Professional Fees	4,000	4,000
Materials/Supplies	8,258	8,258
Repairs/Maintenance	5,407	5,407
Printing and Reproduction	1,187	1,187
Rental/Lease	10,683	10,683
Membership Dues	35,000	35,000
Fees and Other Charges	9,350	9,350
Employee Tuition	2,000	2,000
Advertising	10,000	10,000
Freight/Delivery	1,250	1,250
Temporary Help	4,423	4,423
Furniture/Equipment	11,253	11,253
Communications/Utilities	5,208	5,208
Capital Outlay	0	0
State Office of Risk Management	0	
Total	<u>398,272</u>	<u>398,272</u>

Agency Administration Division

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
 AGENCY ADMINISTRATION
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	Single Family HOME
Salaries	3,634,333	260,314	622,232	1,442,425	345,574	871,099	92,689
Travel In-State	34,450	4,200	4,200	21,550	0	4,500	0
Travel Out-of-State	8,035	720	910	5,565	0	840	0
Professional Fees	136,900	0	3,500	127,200	0	6,200	0
Materials/Supplies	91,699	13,497	9,253	44,301	0	24,648	0
Repairs/Maintenance	143,191	12,215	11,353	99,445	0	20,179	0
Printing and Reproduction	14,996	1,568	3,017	7,216	0	3,195	0
Rental/Lease	181,182	22,624	22,436	96,873	0	39,249	0
Membership Dues	6,620	540	490	4,190	0	1,400	0
Fees and Other Charges	105,545	11,443	17,818	56,282	0	20,002	0
Employee Tuition	3,500	1,200	630	1,670	0	0	0
Advertising	4,100	780	840	1,780	0	700	0
Freight/Delivery	5,050	360	350	3,790	0	550	0
Temporary Help	125,760	15,554	13,487	62,478	0	34,241	0
Furniture/Equipment	64,676	6,982	4,001	32,148	0	21,546	0
Communications/Utilities	58,025	7,217	6,738	31,162	0	12,909	0
Capital Outlay	0	0	0	0	0	0	0
State Office of Risk Management	17,793	1,027	2,430	14,336	0	0	0
Total	4,635,855	360,241	723,682	2,052,411	345,574	1,061,258	92,689

Note:

Agency Administration Includes:
 Human Resources
 Facilities and Space Management
 Information Systems
 Financial Administration

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HUMAN RESOURCES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	AHDP	LIHTC	MANUFACT. HOUSING APP REC
Salaries	292,755	0	0	241,002	51,753
Travel In-State	500			500	
Travel Out-of-State	0			0	
Professional Fees	6,200			6,200	
Materials/Supplies	8,757			8,757	
Repairs/Maintenance	6,132			6,132	
Printing and Reproduction	896			896	
Rental/Lease	13,355			13,355	
Membership Dues	880			880	
Fees and Other Charges	5,856			5,856	
Employee Tuition	0			0	
Advertising	0			0	
Freight/Delivery	150			150	
Temporary Help	12,027			12,027	
Furniture/Equipment	12,263			12,263	
Communications/Utilities	4,010			4,010	
Capital Outlay	0			0	
State Office of Risk Management	0				
Total	363,781	0	0	312,028	51,753

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 FACILITIES AND SPACE MANAGEMENT
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	BOND ADMIN FEES	LIHTC	MANUFACT. HOUSING APP REC
Salaries	230,572	0	88,688	108,626	33,258
Travel In-State	1,000		500	500	
Travel Out-of-State	0		0	0	
Professional Fees	0		0	0	
Materials/Supplies	5,757		2,879	2,879	
Repairs/Maintenance	6,882		3,441	3,441	
Printing and Reproduction	2,096		1,048	1,048	
Rental/Lease	13,955		6,978	6,978	
Membership Dues	340		170	170	
Fees and Other Charges	5,856		2,928	2,928	
Employee Tuition	0		0	0	
Advertising	0		0	0	
Freight/Delivery	100		50	50	
Temporary Help	18,527		9,264	9,264	
Furniture/Equipment	5,548		2,774	2,774	
Communications/Utilities	5,450		2,725	2,725	
Capital Outlay	0		0	0	
State Office of Risk Management	1,000		1,000		
Total	297,083	0	122,443	141,381	33,258

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 INFORMATION SYSTEMS
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC
Salaries	1,146,026	123,828	393,046	107,681	521,471
Travel In-State	10,000	3,000	3,500		3,500
Travel Out-of-State	2,400	720	840		840
Professional Fees	0	0	0		0
Materials/Supplies	37,179	11,154	13,013		13,013
Repairs/Maintenance	30,302	9,091	10,606		10,606
Printing and Reproduction	3,574	1,072	1,251		1,251
Rental/Lease	54,048	16,214	18,917		18,917
Membership Dues	1,000	300	350		350
Fees and Other Charges	32,052	9,616	11,218		11,218
Employee Tuition	0	0	0		0
Advertising	2,000	600	700		700
Freight/Delivery	1,000	300	350		350
Temporary Help	37,002	11,101	12,951		12,951
Furniture/Equipment	18,597	5,579	6,509		6,509
Communications/Utilities	17,639	5,292	6,174		6,174
Capital Outlay	0		0		0
State Office of Risk Management	2,903	567	2,336		
Total	1,395,722	198,433	481,759	107,681	607,849

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 FINANCIAL ADMINISTRATION
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC	SINGLE FAMILY HOME	MANUFACT. HOUSING APP REC	GENERAL REVENUE
Salaries	1,964,980	622,232	960,692	0	92,689	152,882	136,486
Travel In-State	22,950	4,200	17,550	0	0	0	1,200
Travel Out-of-State	5,635	910	4,725	0	0	0	0
Professional Fees	130,700	3,500	127,200	0	0	0	0
Materials/Supplies	40,006	9,253	28,410	0	0	0	2,344
Repairs/Maintenance	99,875	11,353	85,398	0	0	0	3,124
Printing and Reproduction	8,430	3,017	4,917	0	0	0	496
Rental/Lease	99,824	22,436	70,979	0	0	0	6,410
Membership Dues	4,400	490	3,670	0	0	0	240
Fees and Other Charges	61,781	17,818	42,136	0	0	0	1,827
Employee Tuition	3,500	630	1,670	0	0	0	1,200
Advertising	2,100	840	1,080	0	0	0	180
Freight/Delivery	3,800	350	3,390	0	0	0	60
Temporary Help	58,204	13,487	40,263	0	0	0	4,454
Furniture/Equipment	28,268	4,001	22,865	0	0	0	1,403
Communications/Utilities	30,926	6,738	22,264	0	0	0	1,925
Capital Outlay	0	0	0	0	0	0	0
State Office of Risk Management	13,890	2,430	11,000	0	0	0	460
Total	2,579,269	723,682	1,448,208	0	92,689	152,882	161,808

Note:

Financial Administration Includes:

- Director's Office
- Accounting Operations
- Financial Services
- Purchasing

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 DIRECTOR'S OFFICE of FINANCIAL ADMINISTRATION
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC	AHDP	MANUFACT. HOUSING APP REC	GENERAL REVENUE
Salaries	380,698	109,984	143,104	0	0	49,000	78,610
Travel In-State	7,000		7,000				
Travel Out-of-State	2,000		2,000				
Professional Fees	19,000		19,000				
Materials/Supplies	7,609		7,609				
Repairs/Maintenance	7,358		7,358				
Printing and Reproduction	1,655		1,655				
Rental/Lease	17,025		17,025				
Membership Dues	1,000		1,000				
Fees and Other Charges	5,227		5,227				
Employee Tuition	600		600				
Advertising	600		600				
Freight/Delivery	700		700				
Temporary Help	7,433		7,433				
Furniture/Equipment	13,072		13,072				
Communications/Utilities	5,312		5,312				
Capital Outlay	0		0				
State Office of Risk Management	11,222		11,000				222
Total	487,511	109,984	249,695	0	0	49,000	78,832

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ACCOUNTING OPERATIONS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC	AHDP	MANUFACT. HOUSING APP REC
Salaries	625,757	512,248	32,236	0	0	81,273
Travel In-State	6,000	4,200	1,800			
Travel Out-of-State	1,300	910	390			
Professional Fees	5,000	3,500	1,500			
Materials/Supplies	13,218	9,253	3,965			
Repairs/Maintenance	16,218	11,353	4,865			
Printing and Reproduction	4,310	3,017	1,293			
Rental/Lease	32,051	22,436	9,615			
Membership Dues	700	490	210			
Fees and Other Charges	25,454	17,818	7,636			
Employee Tuition	900	630	270			
Advertising	1,200	840	360			
Freight/Delivery	500	350	150			
Temporary Help	19,267	13,487	5,780			
Furniture/Equipment	5,715	4,001	1,715			
Communications/Utilities	9,625	6,738	2,888			
Capital Outlay	0	0	0			
State Office of Risk Management	2,430	2,430				
Total	769,645	613,699	74,673	0	0	81,273

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 FINANCIAL SERVICES
 ANNUAL OPERATING BUDGET
 SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	BOND ADMIN FEES	EARNED FEDERAL FUNDS	SINGLE FAMILY HOME
Salaries	768,474	675,785	0	92,689
Travel In-State	7,950	7,950		
Travel Out-of-State	2,335	2,335		
Professional Fees	106,700	106,700		
Materials/Supplies	15,273	15,273		
Repairs/Maintenance	71,092	71,092		
Printing and Reproduction	1,638	1,638		
Rental/Lease	40,065	40,065		
Membership Dues	2,300	2,300		
Fees and Other Charges	28,055	28,055		
Employee Tuition	0	0		
Advertising	0	0		
Freight/Delivery	2,500	2,500		
Temporary Help	24,081	24,081		
Furniture/Equipment	7,143	7,143		
Communications/Utilities	12,781	12,781		
Capital Outlay	0	0		
State Office of Risk Management	0	0		
Total	1,090,387	997,698	0	92,689

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PURCHASING
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2005 thru AUGUST 31, 2006

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	BOND ADMIN FEES	LIHTC	AHDP	MANUFACT. HOUSING APP REC
Salaries	190,052	57,876	109,567	0	0	22,609
Travel In-State	2,000	1,200	800			
Travel Out-of-State	0	0	0			
Professional Fees	0	0	0			
Materials/Supplies	3,906	2,344	1,562			
Repairs/Maintenance	5,207	3,124	2,083			
Printing and Reproduction	827	496	331			
Rental/Lease	10,683	6,410	4,273			
Membership Dues	400	240	160			
Fees and Other Charges	3,045	1,827	1,218			
Employee Tuition	2,000	1,200	800			
Advertising	300	180	120			
Freight/Delivery	100	60	40			
Temporary Help	7,423	4,454	2,969			
Furniture/Equipment	2,338	1,403	935			
Communications/Utilities	3,208	1,925	1,283			
Capital Outlay	0	0				
State Office of Risk Management	238	238				
Total	231,727	82,976	126,142	0	0	22,609

Financial Administration Division
Board Action Request
August 19, 2005

Action Item

The Department staff will present the FY 2006 Housing Finance Operating Budget for the Board's consideration and approval.

Required Action

The Board approve the attached FY 2006 Housing Finance Operating Budget for fiscal year beginning September 1, 2005 through August 31, 2006. The Board Chair must sign a certificate to certify the attached is a true and correct copy of the annual budget.

Background

The Housing Finance Operating Budget for FY 2006 is within the appropriations approved by the 79th Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

Recommendation

Approve the Housing Finance Operating Budget and Board Chair sign the certificate.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS**



**DRAFT
ANNUAL HOUSING FINANCE OPERATING BUDGET
FISCAL YEAR 2006**

Prepared by the Financial Administration Division

Texas Department of Housing and Community Affairs
Housing Finance Budget
Appropriated Receipts
Fiscal Year 2006

Budget Category	Executive Administration	Agency Administration	Housing Programs Division	Housing Operations Division	Capital Budget	Payroll Related Costs	Total Appropriated Receipts
Salaries	1,579,921	2,313,524	787,469	1,762,479			6,443,393
Payroll Related Costs						1,481,980	1,481,980
Travel In-State	62,375	26,050	23,500	72,900			184,825
Travel Out-of-State	26,400	6,405	6,953	25,088			64,845
Professional Fees	328,806	133,400	46,076	682,500	200,000		1,390,782
Materials/Supplies	75,656	68,949	30,212	65,088			239,905
Repairs/Maintenance	28,018	119,624	19,711	64,568			231,920
Printing and Reproduction	18,197	10,411	13,683	6,410			48,701
Rental/Lease	81,425	136,122	64,692	164,431			446,670
Membership Dues	6,825	5,590	2,210	40,150			54,775
Fees and Other Charges	62,409	76,285	15,988	39,946			194,627
Employee Tuition	680	1,670	1,560	2,210			6,120
Advertising	1,020	2,480	27,700	10,210			41,410
Freight/Delivery	6,200	4,340	2,430	2,338			15,308
Temporary Help	49,086	96,719	49,391	74,402			269,598
Furniture/Equipment	33,942	53,694	22,536	43,647			153,818
Communications/Utilities	23,368	44,071	20,709	44,786			132,934
Capital Outlay	0	0	0	0	88,000		88,000
State Office of Risk Management	0	14,336	11,988	7,421	0		33,745
Total, Appropriated Receipts	2,384,329	3,113,668	1,146,805	3,108,573	288,000	1,481,980	11,523,356

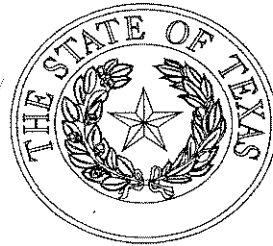
Method of Finance:

Bond Administration Fees	5,500,401
Low Income Housing Tax Credit Fees	5,020,834
Affordable Housing Disposition Program Fees	1,002,121
Total, Method of Finance	11,523,356

Note: Appropriated Receipts include Bond Administration Fees, Low Income Housing Tax Credit Fees, and Affordable Housing Disposition Program Fees.



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RICK PERRY
Governor

EDWINA P. CARRINGTON
Executive Director

BOARD MEMBERS
Elizabeth Anderson, Chair
Shadrick Bogany
C. Kent Conine
Vidal Gonzalez
Patrick R. Gordon
Norberto Salinas

C E R T I F I C A T E

FY-2006 HOUSING FINANCE OPERATING BUDGET

I, Elizabeth (Beth) Anderson, Chair of the Board of the Texas Department of Housing and Community Affairs, certify that the attached is a true and correct copy of the annual budget of the Housing Finance Division of the Department, as considered and approved by such Board at its meeting on August 19, 2005 in accordance with Texas Government Code, Chapter 2306, Sections 112 and 113.

Signed this nineteenth day of August, 2005.

Elizabeth Anderson, Chair and Member of the Board

**Financial Administration Division
Board Action Request
August 19, 2005**

Action Items

3rd Quarter Investment Report

Required Action

Presentation of the Department's 3th Quarter Investment Report.

Background

Compliance with the Public Funds Investment Act.

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

**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING MAY 31, 2005**

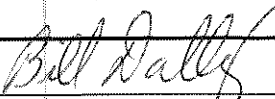
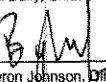
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Quarter Ending May 31, 2005

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

INDENTURE	FAIR VALUE (MARKET) @ 02/28/05	CARRYING VALUE @ 02/28/05	CHANGE IN CARRYING VALUE				CARRYING VALUE @ 05/31/05	FAIR VALUE (MARKET) @ 05/31/05	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT REC'BL 05/31/05	RECOGNIZED GAIN
			ACCRETION/ PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS					
Single Family	670,300,412.32	666,304,799.18	252,170,445.86	(183,561,584.63)	(9,316,556.86)	0.00	725,597,123.55	729,946,807.22	354,070.53	3,186,201.00	0.00
RMRB	437,353,113.65	429,151,260.34	21,185,946.35	(4,917,577.47)	(10,921,768.87)	0.00	434,497,860.35	443,146,119.06	446,405.40	3,034,524.00	0.00
CHMRB	26,292,112.55	24,819,920.93	1,471,682.15	(9,026.02)	(1,357,536.36)	0.00	24,925,040.70	26,306,728.88	(90,503.46)	143,438.00	0.00
Multi Family	203,218,259.25	203,218,259.25	50,982,123.93	(49,521,497.82)	(1,597,780.67)	0.00	203,081,104.69	203,081,104.69	-	1,914.00	0.00
SF CHMRB 1993	748,641.87	748,641.87	1,624.84	(1,321.18)	0.00	0.00	748,945.53	748,945.53	-	64.00	0.00
SF CHMRB 1994/1995	11,031,637.23	11,031,637.23	3,007.02	(7,409,557.78)	0.00	0.00	3,625,086.47	3,625,086.47	-	27,904.00	0.00
Commercial Paper	75,143,631.35	75,143,631.35	8,585,039.41	(20,552,000.00)	0.00	0.00	63,176,670.76	63,176,670.76	-	267,339.00	0.00
General Fund	10,648,580.83	10,648,580.83	1,577,292.28	(1,609,812.00)	0.00	0.00	10,616,061.11	10,616,061.11	-	894.00	0.00
Housing Trust Fund	6,851,662.79	6,851,662.79	4,014,035.83	(4,018,121.92)	0.00	0.00	6,847,576.70	6,847,576.70	-	576.00	0.00
Administration	137,181.80	137,181.80	947.84	0.00	0.00	0.00	138,129.64	138,129.64	-	12.00	0.00
Compliance	1,012,335.52	1,012,335.52	186,345.14	(9,783.56)	0.00	0.00	1,188,897.10	1,188,897.10	-	100.00	0.00
Housing Initiatives	3,502,226.39	3,502,226.39	578,208.93	(736,246.04)	0.00	0.00	3,344,189.28	3,344,189.28	-	282.00	0.00
TOTAL	1,446,239,795.55	1,432,570,137.48	340,756,699.58	(272,346,508.42)	(23,193,842.76)	0.00	1,477,786,685.88	1,492,166,316.42	709,972.47	6,663,248.00	0.00

* No relationship can be drawn between the "ACCRUED INT REC'BL @ 05/31/05" 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 \$ 203,742,235 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.

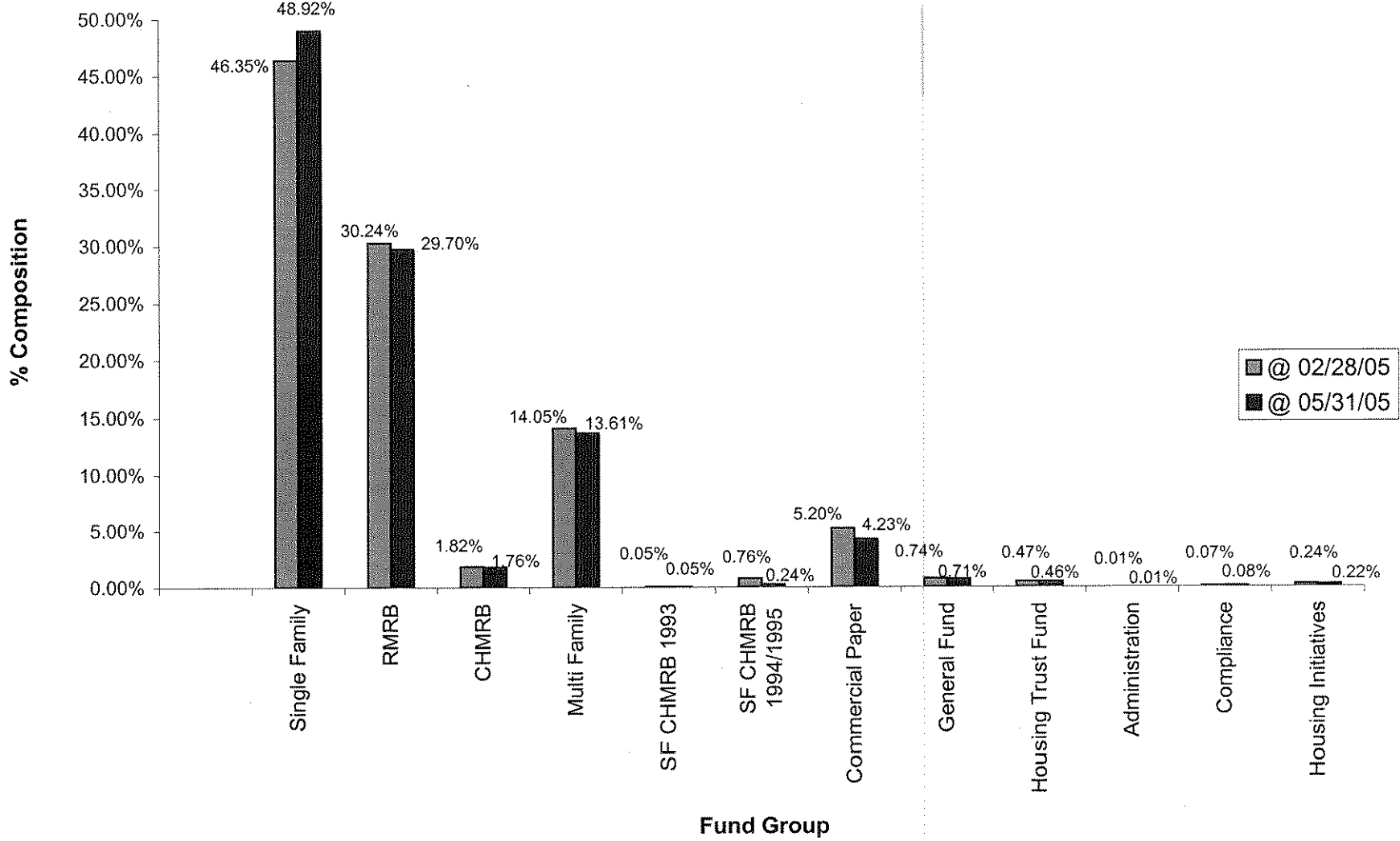
	Date <u>5/8/05</u>
Bill Dally, Chief of Agency Administration	
	Date <u>5/11/05</u>
Byron Johnson, Director of Bond Finance	

**PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING MAY 31, 2005**

Supplemental Information:

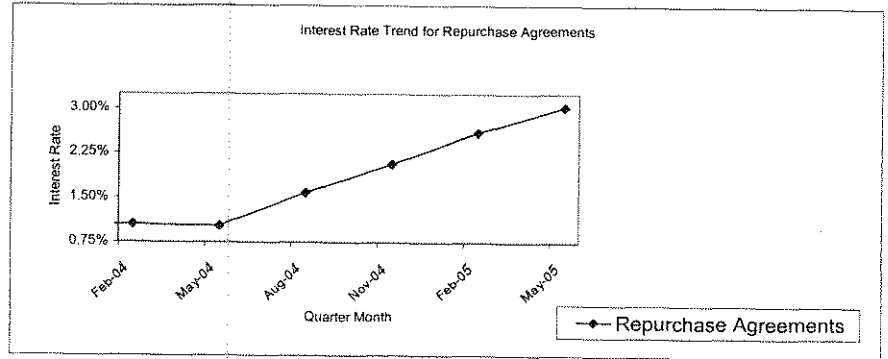
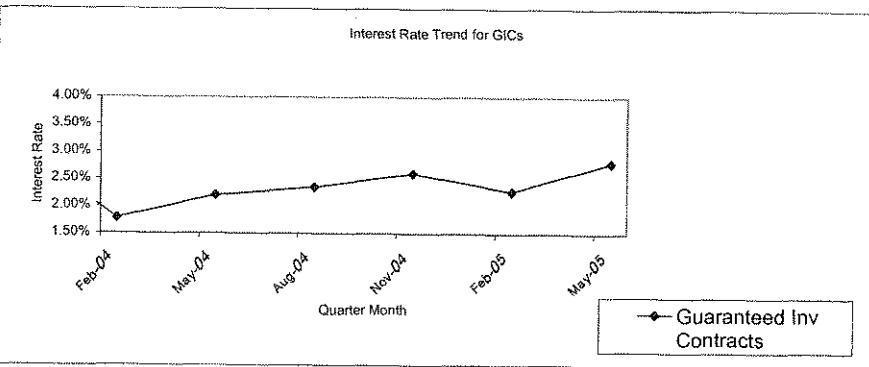
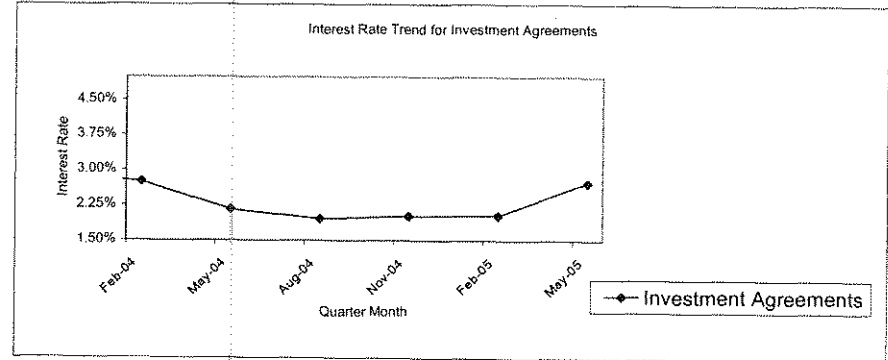
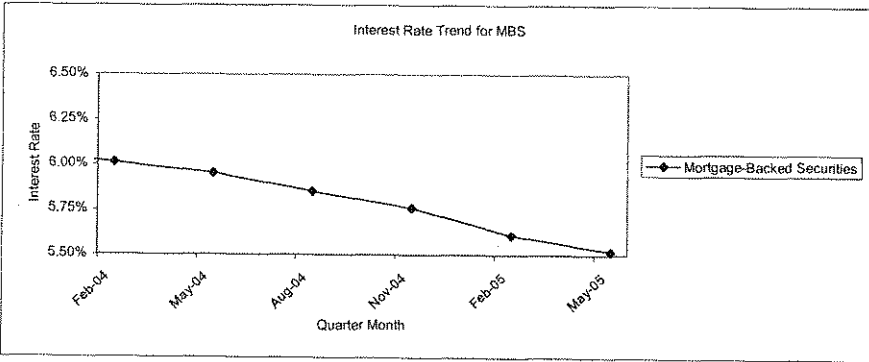
- 1) Bar Graph - Comparison of Market by Fund Group between Quarters
- 2) Analysis of Portfolio Interest Rate Trends and Maturities
- 3) Bar Graph - Comparison of Market Valuation by Investment Type between Quarters
- 4) Supplemental Public Funds Investment Act Report by Investment Type
- 5) Detail of Investments including maturity dates by Fund Group

Market Valuation Comparison By Fund Group

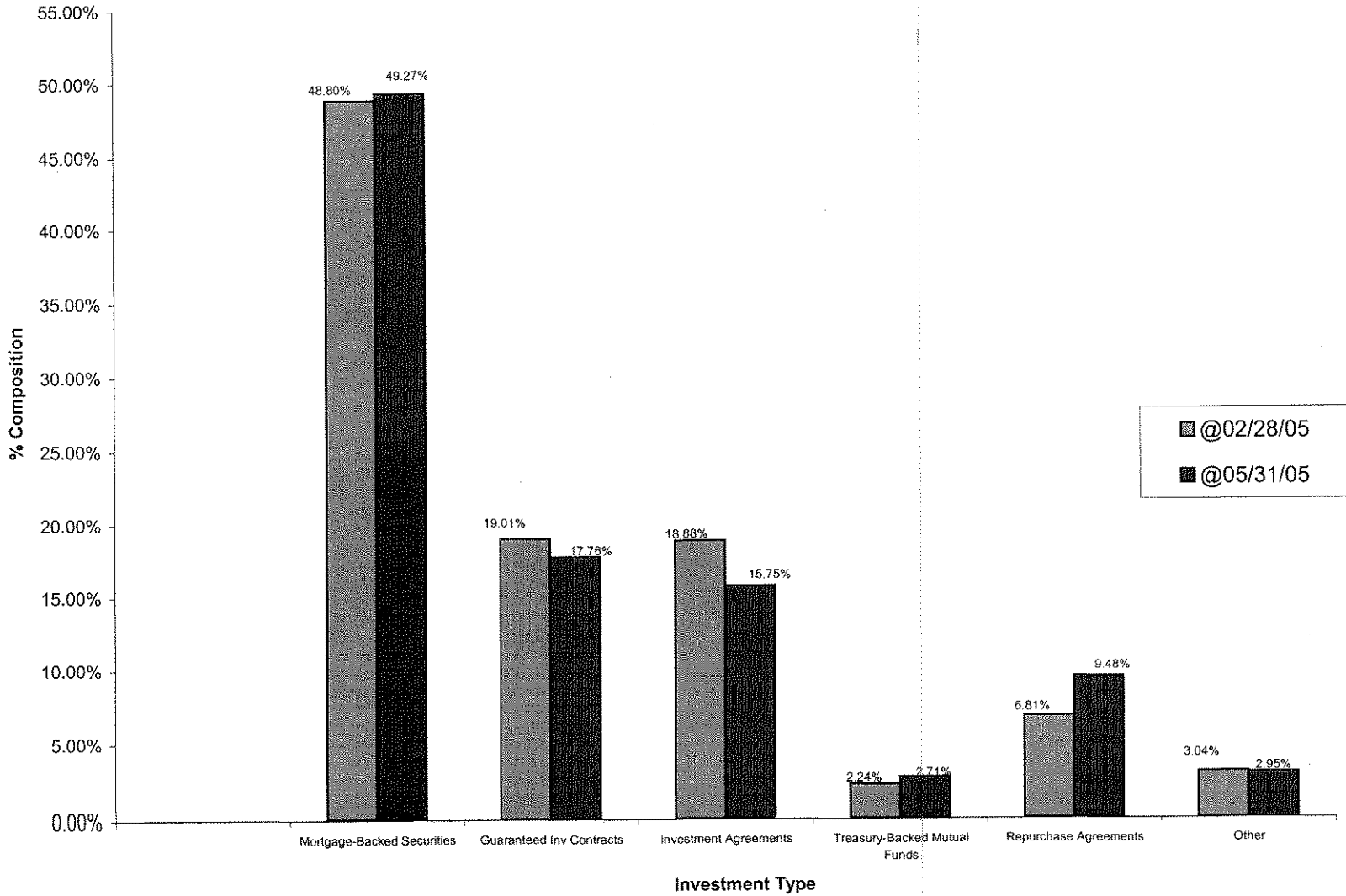


TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Schedule of Portfolio Interest Rate Trends and Maturities
Quarter Ending May 31, 2005

INVESTMENT TYPE	Range of Interest for Current Quarter		Portfolio % Composition	Weighted Avg Rate Beg Carrying Value @ 02/28/05	Weighted Avg Rate Beg Market Value @ 02/28/05	Weighted Avg Rate End Carrying Value @ 05/31/05	Weighted Avg Rate End Market Value @ 05/31/05	Weighted Avg Maturity Beg Carrying Value @ 02/28/05		Weighted Avg Maturity Beg Market Value @ 02/28/05		Weighted Avg Maturity End Carrying Value @ 05/31/05		Weighted Avg Maturity End Market Value @ 05/31/05	
	HI	LOW						Months	Days	Months	Days	Months	Days	Months	Days
Mortgage-Backed Securities	8.75%	4.49%	49.27%	5.58%	5.61%	5.50%	5.52%	315	9	314	7	315	16	314	19
Guaranteed Inv Contracts	6.51%	1.28%	17.76%	2.27%	2.27%	2.80%	2.80%	90	12	90	12	105	14	105	14
Investment Agreements	6.75%	0.03%	15.75%	2.03%	2.03%	2.71%	2.71%	33	17	33	17	38	15	38	15
Money Markets	2.65%	1.48%	2.98%	1.82%	1.82%	2.28%	2.28%	0	1	0	1	0	1	0	1
Treasury-Backed Mutual Funds	2.65%	1.03%	2.71%	1.85%	1.85%	2.25%	2.25%	0	1	0	1	0	1	0	1
Repurchase Agreements	3.03%	3.03%	9.48%	2.59%	2.59%	3.03%	3.03%	0	1	0	1	0	1	0	1
Treasury Bills	5.81%	5.81%	0.01%	5.81%	5.81%	5.81%	5.81%	0	9	0	9	0	9	0	9
Treasury Bonds/Notes	13.88%	1.73%	2.04%	3.85%	3.85%	3.78%	3.97%	27	18	28	29	25	14	26	23



Market Valuation Comparison by Investment Type

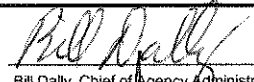
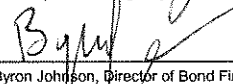


TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Schedule
Quarter Ending May 31, 2005

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

INVESTMENT TYPE	FAIR VALUE (MARKET) @ 02/28/05	CARRYING VALUE @ 02/28/05	CHANGE IN CARRYING VALUE				CARRYING VALUE @ 05/31/05	FAIR VALUE (MARKET) @ 05/31/05	CHANGE IN FAIR VALUE (MARKET)	RECOGNIZED GAIN
			ACCRETION/ PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS				
Mortgage-Backed Securities	705,819,924.45	692,802,200.92	51,851,991.15	0.00	(23,188,479.33)	0.00	721,465,712.74	735,263,672.68	780,236.41	0.00
Guaranteed Inv Contracts	274,881,682.08	274,881,682.08	38,067,443.29	(47,870,942.05)	0.00	0.00	265,078,183.32	265,078,183.32	-	0.00
Investment Agreements	272,988,611.09	272,988,611.09	113,909,275.80	(151,839,697.72)	0.00	0.00	235,058,189.17	235,058,189.17	-	0.00
Treasury-Backed Mutual Funds	32,467,817.43	32,467,817.43	20,470,576.59	(12,547,590.43)	(5,163.43)	0.00	40,385,640.16	40,385,640.16	-	0.00
Repurchase Agreements	98,522,194.87	98,522,194.87	98,705,599.73	(55,754,301.51)	0.00	0.00	141,473,493.09	141,473,493.09	-	0.00
Money Markets	29,968,278.80	29,968,278.80	17,751,520.42	(3,285,757.05)	0.00	0.00	44,434,042.17	44,434,042.17	-	0.00
Treasury Bills	90,860.93	90,860.93	0.00	(984.73)	0.00	0.00	89,876.20	89,876.20	-	0.00
Treasury Bonds/Notes	31,500,425.90	30,848,491.36	292.60	(1,047,234.93)	0.00	0.00	29,801,549.03	30,383,219.63	(70,263.94)	0.00
TOTAL	1,446,239,795.55	1,432,570,137.48	340,756,699.58	(272,346,508.42)	(23,193,642.76)	0.00	1,477,786,685.88	1,492,166,316.42	709,972.47	0.00

(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.

	Date <u>8/8/05</u>
Bill Dally, Chief of Agency Administration	
	Date <u>8/8/05</u>
Byron Johnson, Director of Bond Finance	

Detail of Investments including maturity dates by Fund Group

Texas Department of Housing and Community Affairs
Single Family Investment Summary
For Period Ending May 31, 2005

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	179,926.48	179,926.48	19,139.73				199,066.21	199,066.21	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	1,929,504.86	1,929,504.86		(1,924,500.03)			5,004.83	5,004.83	-	0.00
Treasury Bond	1980 Single Family Surplus Rev	13.88	08/05/82	05/15/11	550,354.77	626,301.82	134.08				550,488.85	1,295,478.69	669,042.79	0.00
GICs	1980 Single Family Surplus Rev	6.08	11/14/96	09/30/29	17,425.90	17,425.90	219,228.73				236,654.63	236,654.63	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	5.97	5.97	0.00				5.97	5.97	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	5,434.00	5,434.00	150.53				5,584.53	5,584.53	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	42,284.51	42,284.51	299.74				42,584.25	42,584.25	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	3.03	05/31/05	06/01/05	369,879.08	369,879.08	57,043.20				426,922.28	426,922.28	-	0.00
1980 Single Family Surplus Rev Total					3,094,815.57	3,170,762.62	295,996.01	(1,924,500.03)	0.00	0.00	1,466,311.55	2,211,301.39	669,042.79	0.00
Repo Agmt	1982 A Single Family	3.03	05/31/05	06/01/05	140.41	140.41		(132.76)			7.65	7.65	-	0.00
GICs	1982 A Single Family	6.08	11/14/96	09/30/29	41,881.75	41,881.75	950.66				42,832.41	42,832.41	-	0.00
1982 A Single Family Total					42,022.16	42,022.16	950.66	(132.76)	0.00	0.00	42,840.06	42,840.06	0.00	0.00
Repo Agmt	1983 A&B Single Family	3.03	05/31/05	06/01/05	53,709.25	53,709.25		(51,060.60)			2,648.65	2,648.65	-	0.00
GICs	1983 A&B Single Family	6.08	11/14/96	09/30/29	1,423,493.32	1,423,493.32		(54,338.37)			1,369,154.95	1,369,154.95	-	0.00
Treasury Note	1983 A&B Single Family	13.25	08/05/85	05/15/14	715.41	977.06	0.12				715.53	970.14	(7.04)	0.00
1983 A&B Single Family Total					1,477,917.98	1,478,179.63	0.12	(105,398.97)	0.00	0.00	1,372,519.13	1,372,773.74	(7.04)	0.00
Repo Agmt	1984 A&B Single Family	3.03	05/31/05	06/01/05	5,941.42	5,941.42		(5,874.02)			67.40	67.40	-	(0.00)
Treasury Bond	1984 A&B Single Family	13.25	08/05/85	05/15/14	407.29	556.38	0.06				407.35	552.44	(4.00)	0.00
GICs	1984 A&B Single Family	6.08	11/14/96	09/30/29			116,921.84				116,921.84	116,921.84	-	0.00
1984 A&B Single Family Total					6,348.71	6,497.80	116,921.90	(5,874.02)	0.00	0.00	117,396.59	117,541.68	(4.00)	0.00
Repo Agmt	1985 A Single Family	3.03	05/31/05	06/01/05	11,528.20	11,528.20		(11,449.98)			78.22	78.22	-	(0.00)
GICs	1985 A Single Family	6.08	11/14/96	09/30/29			278,425.13				278,425.13	278,425.13	-	0.00
1985 A Single Family Total					11,528.20	11,528.20	278,425.13	(11,449.98)	0.00	0.00	278,503.35	278,503.35	0.00	0.00
Repo Agmt	1985 B&C Single Family	3.03	05/31/05	06/01/05	3,907.30	3,907.30		(3,814.16)			93.14	93.14	-	(0.00)
GICs	1985 B&C Single Family	6.08	11/14/96	09/30/29			54,057.25				54,057.25	54,057.25	-	0.00
1985 B&C Single Family Total					3,907.30	3,907.30	54,057.25	(3,814.16)	0.00	0.00	54,150.39	54,150.39	0.00	0.00
Repo Agmt	1987 B Single Family	3.03	05/31/05	06/01/05	36,072.07	36,072.07		(36,012.59)			59.48	59.48	-	0.00
GICs	1987 B Single Family	6.08	11/14/96	09/30/29	605,105.86	605,105.86	292,898.81				898,004.67	898,004.67	-	0.00
Treasury Bond	1987 B Single Family	13.88	08/05/82	05/15/11	496,959.51	562,168.87	0.00				496,959.51	322,852.16	(239,316.71)	0.00
1987 B Single Family Total					1,138,137.44	1,203,346.80	292,898.81	(36,012.59)	0.00	0.00	1,395,023.66	1,220,916.31	(239,316.71)	0.00
Repo Agmt	1995 A&B Single Family	3.03	05/31/05	06/01/05	5,506,592.61	5,506,592.61		(5,472,075.89)			34,516.72	34,516.72	-	(0.00)
GICs	1995 A&B Single Family	6.08	11/14/96	09/30/29	1,065,421.58	1,065,421.58	2,262,676.50				3,328,098.08	3,328,098.08	-	0.00
Repo Agmt	1995 A&B Single Family	3.03	05/31/05	06/01/05	73.16	73.16		(73.00)			0.16	0.16	-	(0.00)
GICs	1995 A&B Single Family	6.08	11/14/96	09/30/29	2,473.14	2,473.14	73.00				2,546.14	2,546.14	-	0.00
FNMA	1995 A&B Single Family	6.15	05/30/96	04/01/26	389,942.60	388,997.70			(3,154.58)		366,788.02	384,013.56	(1,829.56)	0.00
FNMA	1995 A&B Single Family	6.15	06/27/96	05/01/26	262,063.28	274,992.51			(1,889.74)		260,173.54	271,829.46	(1,273.31)	0.00
FNMA	1995 A&B Single Family	6.15	07/15/96	06/01/26	311,593.59	328,127.30			(3,946.57)		307,647.02	322,570.98	(1,509.75)	0.00
FNMA	1995 A&B Single Family	6.15	07/30/96	06/01/26	233,962.83	246,582.57			(1,295.36)		232,667.47	244,157.40	(1,129.81)	0.00
FNMA	1995 A&B Single Family	6.15	08/15/96	07/01/26	335,802.01	353,725.29			(3,538.88)		332,263.13	348,484.70	(1,701.71)	0.00
FNMA	1995 A&B Single Family	6.15	08/29/96	08/01/26	331,771.79	345,378.97			(2,512.59)		329,259.20	341,268.11	(1,598.27)	0.00
FNMA	1995 A&B Single Family	6.15	09/17/96	08/01/26	243,670.37	253,215.06			(3,455.55)		240,214.82	248,535.25	(1,224.26)	0.00
FNMA	1995 A&B Single Family	6.15	10/30/96	10/01/26	552,449.09	573,919.36			(6,168.32)		546,280.77	565,035.70	(2,715.34)	0.00
FNMA	1995 A&B Single Family	6.15	12/23/96	11/01/26	424,274.98	441,044.98			(41,118.28)		383,156.70	396,563.95	(3,362.75)	0.00
FNMA	1995 A&B Single Family	6.15	03/27/97	01/01/27	271,483.87	281,924.93			(11,078.67)		260,405.20	269,240.54	(1,605.72)	0.00
FNMA	1995 A&B Single Family	6.15	07/15/97	03/01/27	70,583.59	73,353.15			(2,193.02)		68,390.57	70,764.04	(396.09)	0.00
FNMA	1995 A&B Single Family	6.15	09/29/97	07/01/27	326,953.16	340,982.43			(65,090.94)		261,862.22	271,982.88	(3,908.61)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
3NMA	1995 A&B Single Family	6.15	07/30/96	07/20/26	1,682,498.79	1,768,093.93			(32,164.16)		1,650,334.63	1,727,945.81	(7,983.96)	0.00
3NMA	1995 A&B Single Family	6.15	03/28/96	03/20/26	573,814.30	603,188.93			(4,067.28)		569,747.02	596,721.36	(2,400.29)	0.00
3NMA	1995 A&B Single Family	6.15	08/15/96	07/20/26	1,440,592.10	1,513,749.41			(111,296.35)		1,329,295.75	1,391,688.70	(10,764.36)	0.00
3NMA	1995 A&B Single Family	6.15	04/29/96	04/20/26	764,770.04	803,659.48			(67,153.26)		697,616.78	730,408.22	(6,098.00)	0.00
3NMA	1995 A&B Single Family	6.15	05/15/96	05/20/26	1,427,030.81	1,499,568.02			(66,592.32)		1,360,438.49	1,424,358.34	(8,617.36)	0.00
3NMA	1995 A&B Single Family	6.15	05/30/96	05/20/26	1,022,140.79	1,074,465.78			(201,851.35)		820,289.44	859,125.32	(13,489.11)	0.00
3NMA	1995 A&B Single Family	6.15	06/17/96	06/20/26	2,116,466.85	2,224,340.05			(15,670.02)		2,100,796.83	2,199,790.37	(8,879.66)	0.00
3NMA	1995 A&B Single Family	6.15	06/27/96	06/20/26	625,762.72	657,449.14			(12,426.30)		613,336.42	642,035.09	(2,987.75)	0.00
3NMA	1995 A&B Single Family	6.15	07/15/96	06/20/26	1,883,592.65	1,978,578.98			(26,242.75)		1,857,349.90	1,943,871.99	(8,464.24)	0.00
3NMA	1995 A&B Single Family	6.15	08/29/96	08/20/26	1,353,534.84	1,413,224.76			(230,686.80)		1,122,848.04	1,168,073.89	(14,464.07)	0.00
3NMA	1995 A&B Single Family	6.15	09/17/96	09/20/26	678,357.14	707,504.89			(119,553.45)		558,803.69	580,681.30	(7,270.14)	0.00
3NMA	1995 A&B Single Family	6.15	09/26/96	09/20/26	528,763.56	551,822.30			(45,902.87)		482,860.69	502,073.29	(3,846.14)	0.00
3NMA	1995 A&B Single Family	6.15	10/30/96	10/20/26	1,833,081.82	1,912,084.22			(330,460.71)		1,502,621.11	1,561,644.52	(19,978.99)	0.00
3NMA	1995 A&B Single Family	6.15	11/26/96	11/20/26	1,084,281.04	1,132,384.74			(102,416.88)		981,864.16	1,021,671.04	(8,296.82)	0.00
3NMA	1995 A&B Single Family	6.15	12/23/96	12/20/26	637,531.44	664,688.49			(4,350.24)		633,181.20	657,736.71	(2,601.54)	0.00
3NMA	1995 A&B Single Family	6.15	01/16/97	12/20/26	1,241,561.95	1,294,486.84			(17,731.97)		1,223,829.98	1,271,328.74	(5,426.13)	0.00
3NMA	1995 A&B Single Family	6.15	01/30/97	01/20/27	871,814.90	910,235.05			(56,290.15)		815,524.75	848,558.08	(5,386.82)	0.00
3NMA	1995 A&B Single Family	6.15	02/13/97	02/20/27	721,884.18	753,647.94			(4,465.03)		717,419.15	746,430.07	(2,752.84)	0.00
3NMA	1995 A&B Single Family	6.15	02/27/97	02/20/27	351,693.52	366,581.50			(2,311.55)		349,381.97	362,929.14	(1,340.81)	0.00
3NMA	1995 A&B Single Family	6.15	03/27/97	03/20/27	644,443.31	670,983.10			(3,960.71)		640,482.60	664,583.20	(2,439.19)	0.00
3NMA	1995 A&B Single Family	6.15	04/29/97	04/20/27	304,205.52	316,404.17			(1,593.24)		302,612.28	313,672.77	(1,138.16)	0.00
3NMA	1995 A&B Single Family	6.15	05/29/97	05/20/27	478,822.14	498,022.90			(62,126.57)		416,695.57	431,925.79	(3,970.54)	0.00
3NMA	1995 A&B Single Family	6.15	06/26/97	06/20/27	302,143.75	314,458.22			(2,042.88)		300,100.87	311,266.05	(1,149.29)	0.00
3NMA	1995 A&B Single Family	6.15	08/18/97	07/20/27	520,562.16	546,723.09			(66,685.08)		453,877.08	475,059.75	(4,978.26)	0.00
3NMA	1995 A&B Single Family	6.15	09/29/97	08/20/27	774,766.58	806,483.18			(4,054.15)		770,712.43	799,524.83	(2,904.20)	0.00
3NMA	1995 A&B Single Family	6.15	02/26/98	02/20/28	197,112.02	204,866.39			(938.81)		196,173.21	203,158.91	(768.67)	0.00
3NMA	1995 A&B Single Family	6.15	03/26/98	01/20/28	357,323.55	371,380.69			(3,067.78)		354,255.77	366,870.85	(1,442.06)	0.00
3NMA	1995 A&B Single Family	6.15	04/29/98	04/20/28	344,213.03	357,754.34			(2,203.48)		342,009.55	354,188.48	(1,362.38)	0.00
3NMA	1995 A&B Single Family	6.15	06/25/98	05/20/28	544,249.08	565,659.86			(3,002.53)		541,246.55	560,520.36	(2,136.97)	0.00
3NMA	1995 A&B Single Family	6.15	07/16/98	06/20/28	259,111.72	269,305.14			(2,910.56)		256,201.16	265,324.45	(1,070.13)	0.00
3NMA	1995 A&B Single Family	6.15	09/10/98	07/20/28	454,701.48	472,589.48			(3,528.53)		451,172.95	467,239.27	(1,821.68)	0.00
3NMA	1995 A&B Single Family	6.15	11/19/98	10/20/28	838,799.55	871,797.94			(68,668.33)		770,131.22	797,555.60	(5,574.01)	0.00
1995 A&B Single Family Total					37,168,738.98	38,572,987.69	2,262,749.50	(5,472,148.89)	(1,821,858.59)	0.00	32,137,481.00	33,347,569.96	(194,159.75)	
Repo Agmt	1996 A-C Single Family	3.03	05/31/05	06/01/05	85,514.93	85,514.93		(83,819.92)			1,695.01	1,695.01	-	(0.00)
Inv Agmt	1996 A-C Single Family	6.13	11/15/96	09/01/28	148,624.19	148,624.19	822,813.08				971,437.27	971,437.27	-	0.00
GNMA	1996 A-C Single Family	6.45	04/29/97	04/20/27	532,349.34	557,492.16			(80,230.46)		452,118.88	472,645.04	(4,616.66)	0.00
GNMA	1996 A-C Single Family	6.45	05/29/97	05/20/27	134,249.37	140,589.99			(689.75)		133,559.62	139,623.24	(277.00)	0.00
GNMA	1996 A-C Single Family	6.45	07/15/97	05/20/27	512,938.66	537,164.82			(76,962.70)		435,975.96	455,769.34	(4,432.78)	0.00
GNMA	1996 A-C Single Family	6.45	08/28/97	08/20/27	346,984.06	363,372.09			(1,672.35)		345,311.71	360,988.84	(7,10.90)	0.00
GNMA	1996 A-C Single Family	6.45	10/15/97	08/20/27	225,046.60	235,675.54			(1,136.11)		223,910.49	234,076.02	(463.41)	0.00
GNMA	1996 A-C Single Family	6.45	11/25/97	10/20/27	378,074.76	395,931.22			(1,849.11)		376,225.65	393,306.28	(775.83)	0.00
GNMA	1996 A-C Single Family	6.45	02/12/98	12/20/27	320,339.35	335,469.03			(1,557.77)		318,781.58	333,254.32	(656.94)	0.00
GNMA	1996 A-C Single Family	6.45	04/16/98	02/20/28	549,707.20	575,263.36			(4,420.61)		545,286.59	569,475.78	(1,366.97)	0.00
GNMA	1996 A-C Single Family	6.45	08/13/98	06/20/28	266,422.91	278,808.92			(1,445.02)		264,977.89	276,732.31	(631.59)	0.00
GNMA	1996 A-C Single Family	6.45	12/15/98	09/20/28	361,901.89	378,726.67			(2,709.91)		359,191.98	375,125.70	(891.06)	0.00
GNMA	1996 A-C Single Family	6.45	01/28/99	11/20/28	40,312.52	42,186.65			(168.39)		40,144.13	41,924.92	(93.34)	0.00
GNMA	1996 A-C Single Family	5.45	03/19/99	02/20/29	546,031.71	555,008.47			(64,184.95)		481,846.76	491,324.69	501.77	0.00
GNMA	1996 A-C Single Family	5.45	06/24/99	05/20/29	602,825.14	612,735.57			(3,119.35)		599,705.79	611,501.99	1,885.77	0.00
GNMA	1996 A-C Single Family	5.45	07/29/99	06/20/29	727,373.29	739,331.30			(3,967.23)		723,406.06	737,635.45	2,271.38	0.00
GNMA	1996 A-C Single Family	5.45	10/14/99	08/20/29	428,839.42	435,889.51			(61,093.44)		367,745.98	374,979.51	183.44	0.00
GNMA	1996 A-C Single Family	5.45	08/26/99	07/20/29	455,029.59	462,510.26			(2,174.67)		452,854.92	461,762.57	1,426.98	0.00
GNMA	1996 A-C Single Family	5.45	12/01/99	10/20/29	165,312.15	168,029.92			(1,155.84)		164,156.31	167,385.30	511.22	0.00
GNMA	1996 A-C Single Family	5.45	01/27/00	12/20/29	1,144,624.70	1,163,442.32			(5,724.13)		1,138,900.57	1,161,302.74	3,584.55	0.00
FNMA	1996 A-C Single Family	5.45	01/28/00	07/01/29	195,881.60	198,670.96			(1,231.52)		194,650.08	198,724.11	1,284.67	0.00
Treasury Bond	1996 A-C Single Family	13.88	08/05/82	05/15/11	440,976.49	498,839.95	0.00				440,976.49	286,482.83	(212,357.12)	0.00
Repo Agmt	1996 A-C Single Family	3.03	05/31/05	06/01/05	0.01	0.01	1,500.72				1,500.73	1,500.73	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
nv Agmt	1996 A-C Single Family	6.13	02/26/97	09/01/28	383,207.88	383,207.88	27,625.00				410,832.88	410,832.88	-	0.00
3NMA	1996 A-C Single Family	5.45	03/18/99	02/20/29	112,456.66	114,305.43			(13,219.05)		99,237.61	101,189.59	103.21	0.00
3NMA	1996 A-C Single Family	5.45	06/24/99	05/20/29	124,153.39	126,194.49			(642.44)		123,510.95	125,940.43	388.38	0.00
3NMA	1996 A-C Single Family	5.45	07/29/99	06/20/29	149,804.39	152,267.19			(817.06)		148,987.33	151,917.92	467.79	0.00
3NMA	1996 A-C Single Family	5.45	10/14/99	08/20/29	88,320.55	89,772.57			(12,582.35)		75,738.20	77,228.00	37.78	0.00
3NMA	1996 A-C Single Family	5.45	08/26/99	07/20/29	93,714.46	95,255.18			(447.87)		93,266.59	95,101.19	293.88	0.00
3NMA	1996 A-C Single Family	5.45	12/01/99	10/20/29	34,046.50	34,606.20			(238.05)		33,808.45	34,473.43	105.28	0.00
3NMA	1996 A-C Single Family	5.45	01/27/00	12/20/29	235,738.40	239,613.95			(1,178.90)		234,559.50	239,173.29	738.24	0.00
3NMA	1996 A-C Single Family	6.15	11/12/02	11/20/32	13,348.72	6,227.18			(42.60)		13,306.12	13,884.27	7,699.69	0.00
3NMA	1996 A-C Single Family	5.40	11/12/02	10/20/32	19,054.36	13,988.31			(69.95)		18,984.41	19,479.59	5,561.23	0.00
3NMA	1996 A-C Single Family	6.15	01/10/03	09/20/32	13,766.54	19,488.25			(140.00)		13,626.54	14,218.29	(5,129.96)	0.00
3NMA	1996 A-C Single Family	5.40	09/26/02	09/20/32	12,089.52	14,425.82			(44.20)		12,045.32	12,359.49	(2,022.13)	0.00
3NMA	1996 A-C Single Family	6.15	10/10/02	09/20/32	16,834.11	12,364.81			(56.53)		16,777.58	17,506.62	5,198.34	0.00
3NMA	1996 A-C Single Family	5.40	10/10/02	09/20/32	8,276.71	17,640.75			(30.39)		8,246.32	8,461.41	(9,148.95)	0.00
3NMA	1996 A-C Single Family	6.15	10/21/02	10/20/32	11,224.65	8,465.18			(38.24)		11,186.41	11,672.86	3,245.92	0.00
3NMA	1996 A-C Single Family	6.15	10/29/02	10/20/32	6,596.59	11,762.87			(22.95)		6,573.64	6,859.30	(4,880.62)	0.00
3NMA	1996 A-C Single Family	5.40	10/29/02	09/20/32	2,939.39	6,912.69			(11.01)		2,928.38	3,004.79	(3,896.89)	0.00
3NMA	1996 A-C Single Family	6.15	11/05/02	10/20/32	5,664.80	3,006.35			(2,502.38)		3,162.42	3,299.87	(2,795.90)	0.00
3NMA	1996 A-C Single Family	5.40	11/05/02	09/20/32	7,191.11	5,936.28			(30.20)		7,160.91	7,347.67	1,441.59	0.00
3NMA	1996 A-C Single Family	6.15	11/19/02	11/20/32	4,178.10	7,354.85			(13.19)		4,164.91	4,345.90	(2,995.76)	0.00
3NMA	1996 A-C Single Family	5.40	11/19/02	11/20/32	5,126.54	4,378.31			(18.45)		5,108.09	5,241.34	881.48	0.00
3NMA	1996 A-C Single Family	6.15	11/26/02	11/20/32	24,717.76	5,243.29			(111.42)		24,606.34	25,675.56	20,543.69	0.00
3NMA	1996 A-C Single Family	5.40	11/26/02	11/20/32	13,907.85	25,902.15			(51.01)		13,856.84	14,218.26	(11,632.88)	0.00
3NMA	1996 A-C Single Family	6.15	11/26/02	11/20/32	12,345.51	14,224.54			(4,553.69)		7,791.82	8,130.41	(1,540.44)	0.00
3NMA	1996 A-C Single Family	5.40	11/26/02	11/20/32	7,492.91	12,937.07			(27.61)		7,465.30	7,660.02	(5,249.44)	0.00
3NMA	1996 A-C Single Family	6.15	12/12/02	12/20/32	5,887.27	7,663.52			(18.46)		5,868.81	6,123.80	(1,521.26)	0.00
3NMA	1996 A-C Single Family	5.40	12/12/02	12/20/32	5,588.43	6,169.33			(20.45)		5,567.98	5,713.25	(435.63)	0.00
3NMA	1996 A-C Single Family	6.15	12/30/02	12/20/32	14,591.12	5,715.73			(1,488.47)		13,102.65	13,672.00	9,444.74	0.00
3NMA	1996 A-C Single Family	5.40	12/30/02	12/20/32	10,576.96	15,290.28			(37.97)		10,538.99	10,813.87	(4,438.44)	0.00
3NMA	1996 A-C Single Family	6.15	12/30/02	12/20/32	12,170.97	10,817.80			(39.26)		12,131.71	12,658.89	1,880.35	0.00
3NMA	1996 A-C Single Family	5.40	12/30/02	12/20/32	10,142.42	12,754.19			(4,936.41)		5,206.01	5,341.80	(2,475.98)	0.00
GNMA	1996 A-C Single Family	6.15	01/07/03	12/20/32	5,942.46	10,373.37			(19.34)		5,923.12	6,180.49	(4,173.54)	0.00
GNMA	1996 A-C Single Family	6.15	01/23/03	01/20/33	25,098.41	26,343.41			(86.14)		25,012.27	26,114.84	(142.43)	0.00
GNMA	1996 A-C Single Family	5.40	01/23/03	01/20/33	14,477.44	14,803.62			(53.64)		14,423.80	14,794.63	44.65	0.00
GNMA	1996 A-C Single Family	6.15	01/23/03	01/20/33	9,696.31	10,177.28			(39.01)		9,657.30	10,082.98	(65.29)	0.00
GNMA	1996 A-C Single Family	5.40	01/23/03	01/20/33	5,282.81	5,401.82			(18.78)		5,264.03	5,399.37	16.33	0.00
GNMA	1996 A-C Single Family	6.15	01/30/03	01/20/33	21,049.20	22,093.29			(74.29)		20,974.91	21,899.45	(119.55)	0.00
GNMA	1996 A-C Single Family	5.40	01/30/03	01/20/33	22,229.62	22,730.46			(104.25)		22,125.37	22,694.25	68.04	0.00
GNMA	1996 A-C Single Family	6.15	02/12/03	02/20/33	24,553.29	25,771.21			(2,760.46)		21,792.83	22,753.45	(257.30)	0.00
GNMA	1996 A-C Single Family	6.15	02/20/03	02/20/33	8,843.10	9,281.76			(28.08)		8,815.02	9,203.61	(50.07)	0.00
GNMA	1996 A-C Single Family	5.40	03/03/03	03/20/33	6,046.42	6,182.64			(21.25)		6,025.17	6,180.08	18.69	0.00
GNMA	1996 A-C Single Family	6.15	02/27/03	02/20/33	25,797.46	27,077.12			(82.60)		25,714.86	26,848.39	(146.13)	0.00
GNMA	1996 A-C Single Family	5.40	02/27/03	01/20/33	5,489.62	5,613.29			(19.52)		5,470.10	5,610.75	16.98	0.00
GNMA	1996 A-C Single Family	6.15	03/12/03	02/20/33	21,462.26	22,526.88			(75.02)		21,387.24	22,330.01	(121.85)	0.00
GNMA	1996 A-C Single Family	6.15	03/24/03	03/20/33	16,550.72	17,371.73			(5,324.80)		11,225.92	11,720.80	(326.13)	0.00
GNMA	1996 A-C Single Family	5.40	03/24/03	02/20/33	5,660.10	5,787.61			(21.38)		5,638.72	5,783.68	17.45	0.00
GNMA	1996 A-C Single Family	6.15	04/02/03	04/20/33	21,059.45	22,104.10			(5,065.50)		15,993.95	16,698.98	(339.62)	0.00
GNMA	1996 A-C Single Family	6.15	04/02/03	03/20/33	8,206.34	8,613.39			(25.32)		8,181.02	8,541.62	(46.45)	0.00
GNMA	1996 A-C Single Family	6.15	04/10/03	03/20/33	16,378.19	17,190.60			(64.13)		16,314.06	17,033.17	(93.30)	0.00
GNMA	1996 A-C Single Family	6.15	04/10/03	03/20/33	3,630.42	3,810.44			(11.16)		3,619.26	3,778.73	(20.55)	0.00
GNMA	1996 A-C Single Family	5.40	04/10/03	01/20/33	4,675.00	4,780.37			(16.63)		4,658.37	4,778.20	14.46	0.00
GNMA	1996 A-C Single Family	6.15	04/17/03	04/20/33	8,394.52	8,394.52			(25.86)		8,368.66	8,737.57	(47.51)	0.00
GNMA	1996 A-C Single Family	6.15	04/24/03	04/20/33	8,698.67	9,130.13			(31.24)		8,667.43	9,049.46	(49.43)	0.00
GNMA	1996 A-C Single Family	6.15	04/29/03	03/20/33	4,512.51	4,736.38			(14.27)		4,498.24	4,696.55	(25.56)	0.00
GNMA	1996 A-C Single Family	6.15	05/08/03	04/20/33	5,259.24	5,520.13			(2,626.33)		2,632.91	2,748.98	(144.82)	0.00
GNMA	1996 A-C Single Family	6.15	05/08/03	04/20/33	4,317.12	4,531.30			(13.61)		4,303.51	4,493.25	(24.44)	0.00
GNMA	1996 A-C Single Family	6.15	05/15/03	04/20/33	9,204.99	9,661.65			(40.07)		9,164.92	9,568.96	(52.62)	0.00

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GNMA	1996 A-C Single Family	6.15	05/22/03	05/20/33	3,279.63	3,442.35			(10.04)		3,269.59	3,413.76	(18.55)	0.00
GNMA	1996 A-C Single Family	6.15	06/10/03	06/20/33	3,253.59	3,415.02			(10.05)		3,243.54	3,386.56	(18.41)	0.00
GNMA	1996 A-C Single Family	6.15	06/10/03	06/20/33	4,701.77	4,935.01			(15.15)		4,686.62	4,893.22	(26.64)	0.00
GNMA	1996 A-C Single Family				6,705.71	6,856.81			(6,705.71)				(151.10)	0.00
GNMA	1996 A-C Single Family	6.15	06/19/03	05/20/33	4,194.17	4,402.20			(9.98)		4,184.19	4,368.62	(23.60)	0.00
GNMA	1996 A-C Single Family	6.15	07/17/03	07/20/33	2,664.21	2,796.35			(11.13)		2,653.08	2,770.02	(15.20)	0.00
GNMA	1996 A-C Single Family	6.15	07/17/03	07/20/33	4,868.55	5,110.04			(24.64)		4,843.91	5,057.42	(27.98)	0.00
GNMA	1996 A-C Single Family	6.15	07/24/03	07/20/33	8,168.40	8,573.57			(3,697.22)		4,471.18	4,668.24	(208.11)	0.00
GNMA	1996 A-C Single Family	6.15	07/30/03	07/30/33	2,482.42	2,605.63			(7.52)		2,474.90	2,584.08	(14.03)	0.00
GNMA	1996 A-C Single Family	6.15	09/04/03	08/20/33	2,834.90	2,975.47			(8.42)		2,826.48	2,951.00	(16.05)	0.00
GNMA	1996 A-C Single Family	6.15	09/29/03	09/20/33	11,793.42	12,378.39			(35.22)		11,758.20	12,276.48	(66.69)	0.00
GNMA	1996 A-C Single Family	6.15	10/09/03	08/20/33	7,842.78	8,231.83			(23.38)		7,819.40	8,164.09	(44.36)	0.00
GNMA	1996 A-C Single Family	6.15	01/15/04	12/20/33	3,360.02	3,526.69			(11.41)		3,348.61	3,496.23	(19.05)	0.00
GNMA	1996 A-C Single Family	6.15	02/26/04	02/20/34	2,466.14	2,588.54			(7.47)		2,458.67	2,567.15	(13.92)	0.00
GNMA	1996 A-C Single Family	6.15	03/11/04	03/20/34	5,319.69	5,583.69			(15.16)		5,304.53	5,538.53	(30.00)	0.00
GNMA	1996 A-C Single Family	5.40	07/08/04	06/20/34	24,218.19	24,780.37			(61.45)		24,156.74	24,773.94	55.02	0.00
GNMA	1996 A-C Single Family	6.15	04/08/04	04/20/34	2,047.30	2,148.88			(5.81)		2,041.49	2,131.52	(11.55)	0.00
GNMA	1996 A-C Single Family	5.40	06/17/04	06/20/34	43,312.52	44,344.88			(75.67)		43,236.85	44,341.51	72.30	0.00
GNMA	1996 A-C Single Family	5.40	09/02/04	09/20/34	37,962.88	38,809.83			(123.50)		37,839.38	38,806.15	119.82	0.00
GNMA	1996 A-C Single Family	5.40	09/09/04	09/20/34	53,769.83	55,019.37			(72.36)		53,697.47	54,934.38	(12.63)	0.00
GNMA	1996 A-C Single Family	5.40	09/16/04	09/20/34	48,699.03	49,783.90			(158.63)		48,540.40	49,780.55	155.28	0.00
GNMA	1996 A-C Single Family	5.40	07/15/04	07/20/34	18,417.10	18,867.15			(88.73)		18,328.37	18,796.65	18.23	0.00
GNMA	1996 A-C Single Family	5.40	07/22/04	07/20/34	18,600.01	19,031.76			(55.02)		18,544.99	19,018.79	42.05	0.00
GNMA	1996 A-C Single Family	5.40	07/29/04	07/20/34	24,801.28	25,376.78			(56.84)		24,744.44	25,376.63	56.69	0.00
GNMA	1996 A-C Single Family	5.40	08/05/04	08/20/34	19,887.88	20,342.90			(60.41)		19,827.47	20,334.05	51.56	0.00
GNMA	1996 A-C Single Family	5.40	08/12/04	08/20/34	40,536.53	41,478.05			(92.07)		40,444.46	41,477.78	91.80	0.00
GNMA	1996 A-C Single Family	5.40	08/20/04	08/20/34	10,812.40	11,058.90			(73.19)		10,739.21	11,013.59	27.88	0.00
GNMA	1996 A-C Single Family	5.40	08/26/04	08/20/34	6,930.58	7,088.22			(19.04)		6,911.54	7,088.13	18.95	0.00
GNMA	1996 A-C Single Family	5.40	12/02/04	12/20/34	24,327.52	24,869.47			(123.38)		24,204.14	24,822.53	76.44	0.00
GNMA	1996 A-C Single Family	5.40	10/14/04	10/20/34	48,480.54	49,439.63			(197.32)		48,283.22	49,395.40	153.09	0.00
GNMA	1996 A-C Single Family	4.49	10/14/04	09/20/34	8,044.66	7,872.27			(30.18)		8,014.48	7,943.01	100.92	0.00
GNMA	1996 A-C Single Family	5.40	10/21/04	10/20/34	89,277.49	91,266.34			(283.27)		88,994.22	91,267.94	284.87	0.00
GNMA	1996 A-C Single Family	4.49	10/21/04	10/20/34	16,720.80	16,362.47			(79.59)		16,641.21	16,492.78	209.90	0.00
GNMA	1996 A-C Single Family	5.40	10/28/04	10/20/34	23,688.53	24,157.16			(3,868.12)		19,820.41	20,276.96	(12.08)	0.00
GNMA	1996 A-C Single Family	4.49	10/29/04	10/20/34	30,146.17	29,333.66			(142.49)		30,003.68	29,574.65	383.48	0.00
GNMA	1996 A-C Single Family	4.49	11/04/04	10/20/34	131,519.52	127,974.70			(594.73)		130,924.79	129,052.65	1,672.68	0.00
GNMA	1996 A-C Single Family	5.40	11/04/04	11/20/34	23,511.68	24,035.46			(85.72)		23,425.96	24,024.48	74.74	0.00
GNMA	1996 A-C Single Family	4.49	11/10/04	11/20/34	28,226.41	27,465.63			(111.65)		28,114.76	27,712.74	358.76	0.00
GNMA	1996 A-C Single Family	5.40	11/10/04	11/20/34	7,545.36	7,713.44			(24.92)		7,520.44	7,712.57	24.05	0.00
GNMA	1996 A-C Single Family	4.49	11/18/04	11/20/34	50,687.72	49,321.55			(225.30)		50,462.42	49,740.84	644.59	0.00
GNMA	1996 A-C Single Family	5.40	12/23/04	12/20/34	14,175.80	14,491.59			(69.91)		14,105.89	14,466.28	44.60	0.00
FNMA	1996 A-C Single Family	5.40	08/14/03	09/01/32	5,885.07	5,949.89			(21.50)		5,863.57	5,956.56	28.17	0.00
FNMA	1996 A-C Single Family	6.15	08/14/03	12/01/31	3,363.42	3,499.84			(21.57)		3,341.85	3,465.22	(13.05)	0.00
FNMA	1996 A-C Single Family	5.45	03/01/04	02/01/34	7,242.75	7,337.25			(21.33)		7,221.42	7,349.35	33.43	0.00
FNMA	1996 A-C Single Family	6.15	04/15/04	02/01/34	5,280.98	5,503.14			(15.12)		5,265.86	5,457.92	(30.10)	0.00
FNMA	1996 A-C Single Family	5.40	10/28/04	10/01/34	15,639.44	15,799.40			(60.96)		15,578.48	15,805.12	66.68	0.00
FNMA	1996 A-C Single Family	4.49	11/04/04	10/01/34	15,865.99	15,343.75			(59.54)		15,806.45	15,480.09	195.88	0.00
	1996 A-C Single Family Total				11,360,590.90	11,706,884.42	851,938.80	(83,819.92)	(393,158.37)	0.00	11,735,551.41	11,669,928.39	(211,916.54)	
Repo Agmt	1996 D&E Single Family	3.03	05/31/05	06/01/05	332,281.21	332,281.21	2,355.36				334,636.57	334,636.57	-	0.00
Repo Agmt	1996 D&E Single Family	3.03	05/31/05	06/01/05	6,724,380.33	6,724,380.33		(6,654,489.97)			69,890.36	69,890.36	-	0.00
GICs	1996 D&E Single Family	6.08	11/14/96	09/30/29			2,240,739.30				2,240,739.30	2,240,739.30	-	0.00
Treasury Bond	1996 D&E Single Family	13.25	08/05/85	05/15/14	936,087.99	1,278,145.85	158.34				936,246.33	1,269,094.38	(9,209.81)	0.00
FNMA	1996 D&E Single Family	6.25	04/15/97	03/01/27	483,638.66	502,868.14			(2,939.95)		480,698.71	498,104.81	(1,823.38)	0.00
FNMA	1996 D&E Single Family	6.25	05/29/97	05/01/27	529,434.91	550,485.25			(4,214.05)		525,220.86	544,239.11	(2,032.09)	0.00
FNMA	1996 D&E Single Family	6.25	06/26/97	05/01/27	326,055.16	339,019.10			(2,007.40)		324,047.76	335,781.52	(1,230.18)	0.00
FNMA	1996 D&E Single Family	6.25	08/18/97	06/01/27	299,359.87	312,744.25			(12,309.12)		287,050.75	298,871.50	(1,563.63)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
NMA	1996 D&E Single Family	6.25	09/29/97	08/01/27	401,870.04	419,837.63			(79,012.09)		322,857.95	336,153.22	(4,672.32)	0.00
NMA	1996 D&E Single Family	6.25	01/29/98	11/01/27	476,362.09	497,660.24			(4,006.99)		472,355.10	491,806.68	(1,846.57)	0.00
NMA	1996 D&E Single Family	6.25	03/18/97	02/20/27	3,098,957.22	3,230,569.95			(148,942.85)		2,950,014.37	3,066,539.95	(15,087.15)	0.00
NMA	1996 D&E Single Family	6.25	04/15/97	04/20/27	1,420,850.21	1,481,193.71			(8,150.59)		1,412,699.62	1,468,501.25	(4,541.87)	0.00
NMA	1996 D&E Single Family	6.25	04/29/97	04/20/27	1,301,043.76	1,356,299.02			(71,605.65)		1,229,438.11	1,278,000.85	(6,692.52)	0.00
NMA	1996 D&E Single Family	6.25	05/15/97	05/20/27	1,408,618.86	1,468,442.86			(8,451.42)		1,400,167.44	1,455,474.02	(4,517.42)	0.00
NMA	1996 D&E Single Family	6.25	06/17/97	06/20/27	2,177,478.65	2,269,956.13			(65,927.58)		2,111,551.07	2,194,957.31	(9,071.24)	0.00
NMA	1996 D&E Single Family	6.25	06/26/97	06/20/27	540,996.44	563,972.62			(3,355.34)		537,641.10	558,877.98	(1,739.30)	0.00
NMA	1996 D&E Single Family	6.25	07/15/97	06/20/27	621,062.50	647,439.05			(3,929.89)		617,132.66	641,509.42	(1,999.79)	0.00
NMA	1996 D&E Single Family	6.25	07/30/97	07/20/27	1,037,567.92	1,081,633.43			(67,187.29)		970,380.63	1,008,710.67	(5,735.47)	0.00
NMA	1996 D&E Single Family	6.25	08/18/97	07/20/27	1,748,652.23	1,823,126.04			(56,999.51)		1,691,852.72	1,758,680.95	(7,445.58)	0.00
NMA	1996 D&E Single Family	6.25	08/28/97	08/20/27	2,027,734.20	2,113,852.03			(13,073.73)		2,014,660.47	2,094,239.52	(6,538.78)	0.00
NMA	1996 D&E Single Family	6.25	09/18/97	09/20/27	646,228.33	673,673.64			(8,089.07)		638,139.26	663,345.75	(2,238.82)	0.00
NMA	1996 D&E Single Family	6.25	09/29/97	09/20/27	754,608.35	786,656.57			(49,907.18)		704,701.17	732,536.87	(4,212.52)	0.00
NMA	1996 D&E Single Family	6.25	10/15/97	09/20/27	638,825.57	665,956.54			(13,078.32)		625,747.25	650,464.31	(2,413.91)	0.00
NMA	1996 D&E Single Family	6.25	10/30/97	10/20/27	581,615.97	606,317.18			(6,863.75)		574,752.22	597,454.92	(1,998.51)	0.00
NMA	1996 D&E Single Family	6.25	11/17/97	10/20/27	740,617.35	772,071.38			(69,584.26)		671,033.09	697,538.92	(4,948.20)	0.00
NMA	1996 D&E Single Family	6.25	11/25/97	11/20/27	643,303.01	670,624.07			(3,961.73)		639,341.28	664,595.24	(2,067.10)	0.00
NMA	1996 D&E Single Family	6.25	12/17/97	11/20/27	1,003,704.69	1,046,332.02			(58,902.54)		944,802.15	982,121.83	(5,307.65)	0.00
NMA	1996 D&E Single Family	6.25	01/29/98	01/20/28	1,563,669.16	1,628,905.44			(102,122.25)		1,461,546.91	1,517,845.70	(8,937.49)	0.00
NMA	1996 D&E Single Family	6.25	04/29/98	04/20/28	1,079,012.36	1,124,028.78			(125,994.98)		953,017.38	989,727.64	(8,306.16)	0.00
NMA	1996 D&E Single Family	6.25	07/06/98	05/20/28	268,692.57	279,902.23			(1,408.56)		267,284.01	277,579.58	(914.09)	0.00
NMA	1996 D&E Single Family	6.25	08/27/98	07/20/28	718,409.80	748,381.86			(150,475.94)		567,933.86	589,810.68	(8,095.24)	0.00
NMA	1996 D&E Single Family	6.25	09/24/98	08/20/28	336,711.90	350,759.48			(63,301.16)		273,410.74	283,942.49	(3,515.83)	0.00
NMA	1996 D&E Single Family	6.25	10/01/98	08/20/28	290,577.30	302,700.18			(62,979.33)		227,597.97	236,365.04	(3,355.81)	0.00
NMA	1996 D&E Single Family	6.25	10/29/98	09/20/28	242,244.05	252,350.47			(1,145.80)		241,098.25	250,385.35	(819.32)	0.00
NMA	1996 D&E Single Family	6.25	12/29/98	10/20/28	1,322,601.38	1,377,780.33			(7,632.33)		1,314,969.05	1,365,621.69	(4,526.31)	0.00
NMA	1996 D&E Single Family	6.25	10/20/99	07/20/29	227,751.24	237,111.82			(1,070.40)		226,680.84	235,231.25	(810.17)	0.00
NMA	1996 D&E Single Family	6.25	11/23/99	10/20/29	104,072.75	108,350.14			(417.60)		103,655.15	107,565.02	(367.52)	0.00
NMA	1996 D&E Single Family	6.25	01/27/00	12/20/29	401,604.48	418,110.45			(2,702.15)		398,902.33	413,948.96	(1,459.34)	0.00
NMA	1996 D&E Single Family	6.25	01/28/00	09/01/29	266,500.41	278,205.11			(1,613.04)		264,887.37	275,668.28	(923.79)	0.00
reasury Bond	1996 D&E Single Family	13.88	08/05/82	05/15/11	562,094.30	635,850.43	0.00				562,094.30	365,148.97	(270,702.06)	0.00
epo Agmt	1996 D&E Single Family	3.03	05/31/05	06/01/05	3,336.92	3,336.92		(3,213.27)			123.65	123.65	-	0.00
iCs	1996 D&E Single Family	6.08	04/06/98	09/30/29	1,004,683.82	1,004,683.82		(781,407.51)			223,276.31	223,276.31	-	0.00
NMA	1996 D&E Single Family	5.45	01/28/00	07/01/29	40,342.34	40,916.80			(253.64)		40,088.70	40,927.75	264.59	0.00
NMA	1996 D&E Single Family	5.40	08/29/02	08/20/32	11,320.02	11,460.58			(41.90)		11,278.12	11,455.14	36.46	0.00
NMA	1996 D&E Single Family	6.15	09/12/02	08/20/32	3,215.71	3,373.42			(12.93)		3,202.78	3,345.55	(14.94)	0.00
NMA	1996 D&E Single Family	6.15	09/19/02	09/20/32	7,656.32	8,030.84			(24.76)		7,631.56	7,970.79	(35.29)	0.00
NMA	1996 D&E Single Family	5.40	09/19/02	09/20/32	17,724.84	18,164.37			(76.00)		17,648.84	18,145.06	56.69	0.00
NMA	1996 D&E Single Family	4.49	12/09/04	12/20/34	100,912.21	98,162.15			(426.79)		100,485.42	99,048.54	1,313.18	0.00
NMA	1996 D&E Single Family	4.49	12/16/04	12/20/34	93,849.65	91,320.13			(347.03)		93,502.62	92,165.58	1,192.48	0.00
NMA	1996 D&E Single Family	4.49	11/23/04	11/20/34	104,037.53	101,233.46			(389.01)		103,648.52	102,166.45	1,322.00	0.00
NMA	1996 D&E Single Family	4.49	12/02/04	12/20/34	168,800.20	164,250.56			(782.62)		168,017.58	165,615.03	2,147.09	0.00
NMA	1996 D&E Single Family	4.49	12/23/04	12/20/34	99,155.86	96,483.32			(384.50)		98,771.36	97,358.98	1,260.16	0.00
NMA	1996 D&E Single Family	4.49	12/29/04	12/20/34	114,712.70	111,620.87			(423.17)		114,289.53	112,655.24	1,457.54	0.00
NMA	1996 D&E Single Family	4.49	01/06/05	01/20/35	205,361.98	199,758.47			(856.66)		204,505.32	201,560.36	2,658.55	0.00
NMA	1996 D&E Single Family	5.40	01/06/05	01/20/35	22,805.10	23,309.91			(78.95)		22,726.15	23,304.93	73.97	0.00
NMA	1996 D&E Single Family	4.49	01/13/05	01/20/35	112,836.06	109,757.21			(434.28)		112,401.78	110,783.15	1,460.22	0.00
NMA	1996 D&E Single Family	5.40	01/13/05	01/20/35	9,705.10	9,919.93			(29.84)		9,675.26	9,921.65	31.66	0.00
NMA	1996 D&E Single Family	4.49	01/19/05	01/20/35	136,398.03	132,676.27			(529.65)		135,868.38	133,911.81	1,765.19	0.00
NMA	1996 D&E Single Family	5.40	01/19/05	01/20/35	13,410.86	13,707.72			(41.27)		13,369.59	13,710.09	43.64	0.00
NMA	1996 D&E Single Family	4.49	01/27/05	01/20/35	155,580.15	151,334.98			(797.48)		154,782.67	152,553.73	2,016.23	0.00
NMA	1996 D&E Single Family	4.49	02/03/05	02/20/35	233,819.86	227,439.84			(1,136.28)		232,683.58	229,332.85	3,029.29	0.00
NMA	1996 D&E Single Family	4.49	02/10/05	02/20/35	75,102.78	73,053.52			(326.82)		74,775.96	73,699.16	972.46	0.00
NMA	1996 D&E Single Family	4.49	02/10/05	02/20/35	163,818.92	159,348.95			(817.15)		163,001.77	160,854.48	2,122.68	0.00
NMA	1996 D&E Single Family	5.40	02/17/05	11/20/34	9,895.59	10,116.03			(42.87)		9,852.72	10,104.44	31.28	0.00
NMA	1996 D&E Single Family	4.49	02/17/05	02/20/35	108,419.08	105,460.75			(479.03)		107,940.05	106,385.68	1,403.96	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities (569.55)	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
NMA	1996 D&E Single Family	4.49	02/24/05	02/20/35	100,383.23	97,544.17					99,813.68	98,376.32	1,301.70	0.00
NMA	1996 D&E Single Family	4.49	03/03/05	03/20/35			96,516.54				96,516.54	95,126.66	(1,389.88)	0.00
NMA	1996 D&E Single Family	4.49	03/11/05	03/20/35			40,053.82				40,053.82	39,477.02	(576.80)	0.00
NMA	1996 D&E Single Family	5.40	03/17/05	02/20/35			6,473.99				6,473.99	6,638.86	164.87	0.00
NMA	1996 D&E Single Family	4.49	03/17/05	03/20/35			61,130.73				61,130.73	60,250.44	(880.29)	0.00
NMA	1996 D&E Single Family	4.49	03/24/05	03/20/35			60,483.86				60,483.86	59,612.87	(870.99)	0.00
NMA	1996 D&E Single Family	4.49	04/07/05	04/20/35			93,600.96				93,600.96	92,263.07	(1,347.89)	0.00
NMA	1996 D&E Single Family	4.49	04/14/05	04/20/35			59,512.79				59,512.79	58,979.12	(533.67)	0.00
NMA	1996 D&E Single Family	5.40	04/21/05	04/20/35			11,739.28				11,739.28	12,008.74	269.46	0.00
NMA	1996 D&E Single Family	4.49	04/21/05	04/20/35			84,306.46				84,306.46	83,092.41	(1,214.05)	0.00
NMA	1996 D&E Single Family	4.49	04/28/05	04/20/35			74,989.38				74,989.38	73,909.51	(1,079.87)	0.00
NMA	1996 D&E Single Family	5.40	04/28/05	04/20/35			6,748.57				6,748.57	6,920.58	172.01	0.00
NMA	1996 D&E Single Family	4.49	05/05/05	05/20/35			139,137.44				139,137.44	137,133.81	(2,003.63)	0.00
NMA	1996 D&E Single Family	5.40	05/05/05	04/20/35			11,893.65				11,893.65	12,168.65	273.00	0.00
NMA	1996 D&E Single Family	5.40	05/26/05	05/20/35			8,195.35				8,195.35	8,404.07	208.72	0.00
NMA	1996 D&E Single Family	4.49	05/26/05	05/20/35			36,341.70				36,341.70	35,818.36	(523.34)	0.00
NMA	1996 D&E Single Family	4.49	12/23/04	12/01/34	16,869.41	16,314.12			(116.16)		16,753.25	16,407.34	209.38	0.00
NMA	1996 D&E Single Family	4.49	01/19/05	01/01/35	22,213.42	21,482.24			(90.56)		22,122.86	21,666.07	274.39	0.00
NMA	1996 D&E Single Family	4.49	01/27/05	01/01/35	22,662.52	21,917.00			(85.83)		22,576.69	22,109.39	278.22	0.00
NMA	1996 D&E Single Family	4.49	03/14/05	12/01/34			17,849.68				17,849.68	17,481.32	(368.36)	0.00
NMA	1996 D&E Single Family	5.40	03/24/05	02/01/35			12,303.48				12,303.48	12,482.49	179.01	0.00
NMA	1996 D&E Single Family	4.49	04/07/05	02/01/35			15,477.21				15,477.21	15,156.86	(320.35)	0.00
1996 D&E Single Family Total					41,464,507.43	43,084,253.31	3,080,007.89	(7,439,110.75)	(1,292,958.52)	0.00	35,812,446.05	37,027,355.52	(404,836.31)	0.00
epo Agmt	1997 A-C Single Family	3.03	05/31/05	06/01/05	27.16	27.16	0.13				27.29	27.29	-	0.00
epo Agmt	1997 A-C Single Family	3.03	05/31/05	06/01/05	11,335,696.60	11,335,696.60		(11,309,725.22)			25,971.38	25,971.38	-	0.00
iCs	1997 A-C Single Family	6.14	09/17/97	08/31/29	603,255.58	603,255.58	2,603,576.81				3,206,832.39	3,206,832.39	-	0.00
NMA	1997 A-C Single Family	6.25	02/20/98	01/01/28	317,650.27	330,280.09			(2,456.84)		315,193.43	326,606.64	(1,216.61)	0.00
NMA	1997 A-C Single Family	6.25	03/27/98	03/01/28	336,406.88	349,516.68			(2,042.33)		334,364.55	346,311.42	(1,162.93)	0.00
NMA	1997 A-C Single Family	6.25	06/29/98	05/01/28	270,826.95	281,381.09			(2,663.37)		268,163.58	277,745.08	(972.64)	0.00
NMA	1997 A-C Single Family	6.25	02/20/98	01/20/28	2,597,871.62	2,706,254.81			(130,163.06)		2,467,708.56	2,562,764.67	(13,327.08)	0.00
NMA	1997 A-C Single Family	6.25	11/30/98	09/01/28	442,480.69	459,724.19			(49,638.36)		392,842.33	406,878.61	(3,207.22)	0.00
NMA	1997 A-C Single Family	6.25	03/27/98	03/20/28	4,297,453.09	4,476,742.85			(438,670.86)		3,858,782.23	4,007,422.54	(30,649.45)	0.00
NMA	1997 A-C Single Family	6.25	05/19/98	05/20/28	3,041,910.76	3,168,819.25			(279,616.18)		2,762,294.58	2,868,698.15	(20,504.92)	0.00
NMA	1997 A-C Single Family	5.45	07/28/00	06/20/30	1,584,317.82	1,609,603.52			(76,741.89)		1,507,575.93	1,536,687.21	3,825.58	0.00
NMA	1997 A-C Single Family	6.25	08/14/98	07/20/28	1,789,008.55	1,863,646.00			(119,332.46)		1,669,676.09	1,733,992.02	(10,321.52)	0.00
NMA	1997 A-C Single Family	6.25	06/29/98	06/20/28	726,588.32	756,901.61			(3,796.99)		722,791.33	750,633.27	(2,471.35)	0.00
NMA	1997 A-C Single Family	6.25	09/18/98	09/20/28	991,499.02	1,032,864.36			(4,656.37)		986,842.65	1,024,855.82	(3,352.17)	0.00
NMA	1997 A-C Single Family	6.25	03/31/99	11/01/28	151,472.84	157,375.69			(1,686.93)		149,785.91	155,137.71	(551.05)	0.00
NMA	1997 A-C Single Family	6.25	11/30/98	11/20/28	1,005,505.91	1,047,455.63			(4,867.41)		1,000,638.50	1,039,183.11	(3,405.11)	0.00
NMA	1997 A-C Single Family	6.25	11/30/98	10/20/28	695,011.21	724,007.06			(63,630.02)		631,381.19	655,701.97	(4,675.07)	0.00
NMA	1997 A-C Single Family	6.25	11/30/98	10/20/28	211,438.78	220,260.04			(1,100.46)		210,338.32	218,440.59	(718.99)	0.00
NMA	1997 A-C Single Family	6.25	05/27/99	11/01/28	168,694.39	175,401.66			(3,472.20)		165,222.19	171,204.87	(724.59)	0.00
NMA	1997 A-C Single Family	6.25	02/16/99	02/20/29	1,636,409.92	1,703,666.38			(187,381.80)		1,449,028.12	1,503,685.48	(12,599.10)	0.00
NMA	1997 A-C Single Family	6.25	03/31/99	02/20/29	71,765.89	74,715.49			(378.46)		71,387.43	74,080.18	(266.85)	0.00
NMA	1997 A-C Single Family	6.25	05/27/99	05/20/29	503,380.34	524,069.27			(70,192.50)		433,187.84	449,527.68	(4,349.09)	0.00
NMA	1997 A-C Single Family	5.45	07/30/99	07/20/29	1,168,258.64	1,187,464.82			(76,286.57)		1,091,972.07	1,113,451.16	2,272.91	0.00
NMA	1997 A-C Single Family	5.45	08/26/99	08/20/29	888,391.75	913,161.28			(43,947.14)		854,444.61	871,251.50	2,037.36	0.00
NMA	1997 A-C Single Family	5.45	09/20/99	08/01/29	182,544.46	184,240.91			(1,152.93)		181,391.53	184,281.72	1,193.74	0.00
NMA	1997 A-C Single Family	5.45	09/20/99	09/20/29	516,130.12	524,615.34			(50,416.68)		465,713.44	474,874.06	675.40	0.00
NMA	1997 A-C Single Family	5.45	12/20/99	12/01/29	525,009.86	529,887.22			(64,373.99)		460,635.87	467,973.82	2,460.59	0.00
NMA	1997 A-C Single Family	5.45	01/19/00	12/01/29	321,545.97	324,533.10			(1,858.40)		319,687.57	324,780.17	2,105.47	0.00
NMA	1997 A-C Single Family	5.45	10/28/99	10/20/29	1,698,409.04	1,726,330.83			(49,730.21)		1,648,678.83	1,681,108.29	4,507.67	0.00
NMA	1997 A-C Single Family	5.45	11/18/99	11/20/29	285,870.75	290,570.47			(43,657.82)		242,212.93	246,977.27	64.62	0.00
NMA	1997 A-C Single Family	5.45	12/30/99	12/20/29	3,532,389.09	3,590,461.55			(102,806.61)		3,429,582.48	3,497,042.35	9,387.41	0.00
NMA	1997 A-C Single Family	5.45	01/28/00	01/20/30	974,444.78	989,996.93			(48,065.82)		926,378.96	944,267.35	2,336.24	0.00
NMA	1997 A-C Single Family	5.45	02/22/00	01/20/30	332,769.15	338,080.12			(1,756.81)		331,012.34	337,404.17	1,080.86	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	1997 A-C Single Family	5.45	03/27/00	02/20/30	588,325.91	597,715.60			(4,375.89)		583,950.02	595,226.12	1,886.41	0.00
GNMA	1997 A-C Single Family	5.45	04/27/00	03/01/30	321,810.38	324,700.22			(2,018.92)		319,791.46	324,460.40	1,779.10	0.00
GNMA	1997 A-C Single Family	5.45	04/27/00	04/20/30	930,581.38	945,433.47			(123,167.72)		807,413.66	823,004.82	739.07	0.00
GNMA	1997 A-C Single Family	5.45	05/30/00	04/20/30	192,654.24	195,729.04			(863.33)		191,790.91	195,494.42	628.71	0.00
GNMA	1997 A-C Single Family	5.45	06/21/00	05/20/30	761,890.27	774,049.98			(3,853.63)		758,036.64	772,674.27	2,477.92	0.00
GNMA	1997 A-C Single Family	5.45	09/18/00	09/20/30	1,670,310.95	1,696,969.12			(76,082.00)		1,594,228.95	1,625,019.52	4,126.40	0.00
GNMA	1997 A-C Single Family	5.45	07/24/00	06/01/30	312,657.15	315,464.80			(1,677.03)		310,980.12	315,520.42	1,732.65	0.00
	1997 A-C Single Family Total				47,992,666.48	49,051,069.81	2,603,576.94	(11,309,725.22)	(2,138,579.99)	0.00	37,147,938.21	38,137,193.91	(69,147.63)	
Repo Agmt	1997 D-F Single Family	3.03	05/31/05	06/01/05	16,364.71	16,364.71	116.00				16,480.71	16,480.71	-	0.00
Repo Agmt	1997 D-F Single Family	3.03	05/31/05	06/01/05	10,220,356.88	10,220,356.88		(10,193,934.42)			26,422.26	26,422.26	-	(0.00)
GICs	1997 D-F Single Family	5.91	12/04/97	03/01/30	2,462,324.04	2,462,324.04	1,668,406.98				4,130,731.02	4,130,731.02	-	0.00
FNMA	1997 D-F Single Family	6.25	06/29/98	06/01/28	421,372.73	437,794.32			(3,995.16)		417,377.57	432,291.17	(1,507.99)	0.00
FNMA	1997 D-F Single Family	6.25	11/30/98	10/01/28	238,235.55	247,519.57			(1,179.24)		237,056.31	245,526.31	(814.02)	0.00
GNMA	1997 D-F Single Family	6.25	05/19/98	05/20/28	1,342,476.26	1,398,484.41			(214,566.47)		1,127,909.79	1,171,356.93	(12,561.01)	0.00
GNMA	1997 D-F Single Family	5.45	07/24/00	06/20/30	1,913,511.98	1,944,051.64			(111,375.24)		1,802,136.74	1,836,936.01	4,259.61	0.00
GNMA	1997 D-F Single Family	6.25	08/14/98	07/20/28	334,787.47	348,754.82			(1,724.70)		333,062.77	345,892.36	(1,137.76)	0.00
GNMA	1997 D-F Single Family	5.45	08/28/00	08/20/30	294,754.47	299,458.75			(1,438.52)		293,317.95	298,981.91	959.68	0.00
GNMA	1997 D-F Single Family	6.25	06/30/98	06/20/28	857,498.19	893,273.02			(12,532.16)		844,966.03	877,514.13	(3,226.73)	0.00
GNMA	1997 D-F Single Family	6.25	09/18/98	08/20/28	1,511,386.63	1,574,441.76			(8,145.42)		1,503,241.21	1,561,146.13	(5,150.21)	0.00
FNMA	1997 D-F Single Family	6.25	03/31/99	11/01/28	233,834.10	242,946.62			(71,728.45)		162,105.65	167,897.69	(3,320.48)	0.00
GNMA	1997 D-F Single Family	6.25	11/30/98	11/20/28	1,095,042.14	1,140,727.26			(7,248.87)		1,087,793.27	1,129,695.02	(3,783.37)	0.00
GNMA	1997 D-F Single Family	6.25	11/30/98	10/20/28	784,774.06	817,514.83			(3,763.29)		781,010.77	811,085.31	(2,656.23)	0.00
GNMA	1997 D-F Single Family	6.25	11/30/98	10/20/28	176,922.72	184,303.94			(44,677.10)		132,245.62	137,339.72	(2,287.12)	0.00
FNMA	1997 D-F Single Family	6.25	05/27/99	04/01/29	222,861.25	231,381.24			(1,191.81)		221,669.44	229,503.24	(686.19)	0.00
GNMA	1997 D-F Single Family	6.25	02/16/99	02/20/29	2,348,908.12	2,445,448.27			(90,249.52)		2,258,658.60	2,343,855.22	(11,343.53)	0.00
GNMA	1997 D-F Single Family	6.25	03/31/99	03/20/29	894,061.06	930,806.98			(49,402.05)		844,659.01	876,519.56	(4,885.37)	0.00
GNMA	1997 D-F Single Family	6.25	05/27/99	04/20/29	788,087.81	820,478.21			(127,259.55)		660,828.26	685,754.69	(7,463.97)	0.00
GNMA	1997 D-F Single Family	5.45	06/22/99	06/20/29	1,043,258.14	1,060,409.29			(5,937.06)		1,037,321.08	1,057,725.18	3,252.95	0.00
GNMA	1997 D-F Single Family	5.45	07/30/99	07/20/29	1,261,466.61	1,282,205.07			(52,201.49)		1,209,265.12	1,233,051.31	3,047.73	0.00
GNMA	1997 D-F Single Family	5.45	08/26/99	08/20/29	929,722.79	945,007.41			(4,834.48)		924,888.31	943,080.84	2,907.91	0.00
GNMA	1997 D-F Single Family	5.45	09/30/99	09/20/29	666,858.61	677,821.77			(3,875.88)		662,982.73	676,023.61	2,077.72	0.00
FNMA	1997 D-F Single Family	5.45	12/21/99	11/01/29	487,490.50	492,019.28			(5,917.38)		481,573.12	489,244.58	3,142.68	0.00
GNMA	1997 D-F Single Family	5.45	10/29/99	10/20/29	1,535,028.66	1,560,264.56			(60,971.94)		1,474,056.72	1,503,051.45	3,758.83	0.00
GNMA	1997 D-F Single Family	5.45	11/18/99	11/20/29	1,567,146.82	1,592,910.73			(8,588.60)		1,558,558.22	1,589,215.08	4,892.95	0.00
GNMA	1997 D-F Single Family	5.45	12/30/99	12/20/29	2,182,768.80	2,188,160.36			(15,705.93)		2,137,062.87	2,179,098.94	6,644.51	0.00
GNMA	1997 D-F Single Family	5.45	01/28/00	01/20/30	1,981,744.67	2,013,373.32			(98,210.07)		1,883,534.60	1,919,905.67	4,742.42	0.00
GNMA	1997 D-F Single Family	5.45	02/22/00	01/20/30	1,122,859.15	1,140,779.97			(63,105.89)		1,059,753.26	1,080,217.09	2,543.01	0.00
GNMA	1997 D-F Single Family	5.45	03/27/00	02/20/30	625,510.44	635,493.59			(81,536.89)		543,973.55	554,477.68	520.98	0.00
FNMA	1997 D-F Single Family	5.45	02/23/00	01/01/30	192,880.28	194,672.12			(913.86)		191,966.42	195,024.43	1,266.17	0.00
GNMA	1997 D-F Single Family	5.45	04/27/00	03/20/30	765,682.01	767,742.70			(103,502.38)		652,179.63	664,773.22	532.90	0.00
GNMA	1997 D-F Single Family	5.45	05/30/00	05/20/30	745,603.49	757,503.34			(11,039.50)		734,563.99	748,748.44	2,284.60	0.00
GNMA	1997 D-F Single Family	5.45	06/21/00	06/20/30	1,279,311.02	1,299,728.82			(5,807.72)		1,273,503.30	1,298,094.64	4,173.54	0.00
FNMA	1997 D-F Single Family	5.45	05/30/00	05/01/30	290,272.76	292,879.40			(1,469.08)		288,803.68	293,020.20	1,609.88	0.00
GNMA	1997 D-F Single Family	5.45	10/23/00	09/20/30	265,178.51	269,410.78			(1,128.60)		264,049.91	269,148.75	866.57	0.00
GNMA	1997 D-F Single Family	5.45	10/30/00	10/20/30	345,998.39	351,520.52			(1,762.06)		344,236.33	350,883.53	1,125.07	0.00
FNMA	1997 D-F Single Family	5.45	07/24/00	06/01/30	694,740.26	700,979.02			(3,946.73)		690,793.53	700,879.09	3,846.60	0.00
GNMA	1997 D-F Single Family	5.45	12/21/00	05/20/30	119,450.82	121,357.22			(583.70)		118,867.12	121,162.41	388.89	0.00
FNMA	1997 D-F Single Family	5.45	10/06/00	09/01/30	331,840.50	334,820.41			(1,863.62)		329,976.88	334,794.52	1,837.73	0.00
FNMA	1997 D-F Single Family	5.45	10/30/00	08/01/30	363,673.09	366,938.88			(2,134.09)		361,539.00	366,817.48	2,012.69	0.00
FNMA	1997 D-F Single Family	5.45	02/12/01	02/01/30	123,785.16	124,935.12			(589.58)		123,195.58	125,158.08	812.54	0.00
Repo Agmt	1997 D-F Single Family	3.03	05/31/05	06/01/05	901,392.36	901,392.36		(157,361.71)			744,030.65	744,030.65	-	0.00
GICs	1997 D-F Single Family	5.91	05/17/99	03/01/30			15,166.91				15,166.91	15,166.91	-	0.00
GNMA	1997 D-F Single Family	4.49	05/12/05	05/20/35			83,915.94				83,915.94	82,707.52	(1,208.42)	0.00
GNMA	1997 D-F Single Family	4.49	05/26/05	05/20/35			71,911.49				71,911.49	71,266.63	(644.86)	0.00
	1997 D-F Single Family Total				45,941,223.81	46,728,757.11	1,839,517.32	(10,351,296.13)	(1,286,102.08)	0.00	36,143,342.92	36,931,707.32	831.10	

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Repo Agmt	2002A Single Family (JR Lien)	3.03	05/31/05	06/01/05	67,354.80	67,354.60		(6,077.02)			61,277.58	61,277.58	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	3.03	05/31/05	06/01/05	323,967.30	323,967.30		(314,907.87)			9,059.43	9,059.43	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	3.03	05/31/05	06/01/05	1,634,025.99	1,634,025.99		(260,827.45)			1,373,198.54	1,373,198.54	-	0.00
Treasury Bond	2002A Single Family (JR Lien)	13.88	03/27/02	05/15/11	300,000.00	336,689.94	0.00				300,000.00	328,979.95	(7,709.99)	0.00
Repo Agmt	2002A Single Family (JR Lien)	3.03	05/31/05	06/01/05	27,533.24	27,533.24	13,542.29				41,075.53	41,075.53	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	3.03	05/31/05	06/01/05	83,566.51	83,566.51	0.00				83,566.51	83,566.51	-	0.00
2002A Single Family (JR Lien) Total					2,436,447.64	2,473,137.58	13,542.29	(581,812.34)	0.00	0.00	1,868,177.59	1,897,157.54	(7,709.99)	0.00
Repo Agmt	2004 A/B Single Family	3.03	05/31/05	06/01/05	674,189.58	674,189.58	81,872.74				756,062.32	756,062.32	-	0.00
Repo Agmt	2004 A/B Single Family	3.03	05/31/05	06/01/05	2,953,463.42	2,953,463.42		(2,429,673.81)			523,789.61	523,789.61	-	0.00
Repo Agmt	2004 A/B Single Family	3.03	05/31/05	06/01/05	529,328.88	529,328.88		(514,910.37)			14,418.51	14,418.51	-	0.00
GICs	2004 A/B Single Family	1.49	04/28/04	09/01/06	733,103.03	733,103.03	725,311.62				1,458,414.65	1,458,414.65	-	0.00
GNMA	2004 A/B Single Family	4.49	07/08/04	06/20/34	1,515,675.74	1,474,824.05			(6,806.28)		1,508,869.46	1,487,293.50	19,275.73	0.00
GNMA	2004 A/B Single Family	4.49	07/08/04	07/20/34	1,145,339.21	1,114,469.11			(5,127.17)		1,140,212.04	1,123,907.65	14,565.71	0.00
GNMA	2004 A/B Single Family	4.49	06/29/04	06/20/34	967,869.37	941,782.60			(3,735.60)		964,133.77	950,347.23	12,300.23	0.00
GNMA	2004 A/B Single Family	4.49	09/02/04	08/20/34	1,561,370.36	1,519,287.07			(6,447.92)		1,554,922.44	1,532,687.95	19,848.80	0.00
GNMA	2004 A/B Single Family	4.49	09/09/04	09/20/34	2,170,334.04	2,111,837.49			(11,135.60)		2,159,198.44	2,128,323.16	27,621.27	0.00
GNMA	2004 A/B Single Family	4.49	09/16/04	08/20/34	3,078,917.76	2,995,932.32			(14,656.88)		3,064,260.88	3,020,443.72	39,168.28	0.00
GNMA	2004 A/B Single Family	4.49	09/23/04	09/20/34	979,201.83	952,809.62			(4,467.87)		974,733.96	960,795.85	12,454.10	0.00
GNMA	2004 A/B Single Family	4.49	09/29/04	09/20/34	1,663,739.44	1,618,897.03			(7,140.09)		1,656,599.35	1,632,910.95	21,154.01	0.00
GNMA	2004 A/B Single Family	4.49	10/07/04	10/20/34	2,677,524.54	2,605,357.78			(11,264.44)		2,666,260.10	2,628,134.13	34,040.79	0.00
GNMA	2004 A/B Single Family	4.49	07/15/04	07/20/34	2,408,479.00	2,343,563.77			(9,289.25)		2,399,189.75	2,364,882.74	30,608.22	0.00
GNMA	2004 A/B Single Family	4.49	07/22/04	07/20/34	2,150,559.65	2,092,596.06			(10,374.09)		2,140,185.56	2,109,582.15	27,360.18	0.00
GNMA	2004 A/B Single Family	4.49	07/29/04	07/20/34	2,678,098.05	2,605,915.82			(12,563.53)		2,665,534.52	2,627,418.92	34,066.63	0.00
GNMA	2004 A/B Single Family	4.49	08/05/04	08/20/34	3,621,796.71	3,524,179.18			(15,983.36)		3,605,813.35	3,554,252.31	46,056.49	0.00
GNMA	2004 A/B Single Family	4.49	08/12/04	08/20/34	4,060,848.24	3,951,397.05			(17,592.53)		4,043,255.71	3,985,439.49	51,634.97	0.00
GNMA	2004 A/B Single Family	4.49	08/19/04	08/20/34	3,897,763.53	3,792,707.93			(17,826.75)		3,879,936.78	3,824,455.94	49,574.76	0.00
GNMA	2004 A/B Single Family	5.00	08/19/04	08/20/34	277,331.05	278,473.69			(950.52)		276,380.53	280,622.87	3,099.70	0.00
GNMA	2004 A/B Single Family	4.49	08/26/04	08/20/34	1,888,274.67	1,837,380.41			(7,464.87)		1,880,809.80	1,853,915.32	23,999.78	0.00
GNMA	2004 A/B Single Family	5.00	08/26/04	08/20/34	86,959.54	87,317.82			(296.80)		86,662.74	87,992.98	971.96	0.00
GNMA	2004 A/B Single Family	4.49	12/02/04	12/20/34	1,102,824.86	1,073,100.66			(4,532.61)		1,098,292.25	1,082,587.32	14,019.27	0.00
GNMA	2004 A/B Single Family	5.00	12/09/04	10/20/34	302,658.82	302,399.02			(1,551.07)		301,107.75	304,206.24	3,358.29	0.00
GNMA	2004 A/B Single Family	4.49	12/09/04	12/20/34	362,380.41	372,074.19			(1,635.64)		380,744.77	375,300.34	4,861.79	0.00
GNMA	2004 A/B Single Family	5.00	12/09/04	11/20/34	217,524.17	218,420.40			(734.82)		216,789.35	220,116.99	2,431.41	0.00
GNMA	2004 A/B Single Family	5.00	12/16/04	12/20/34	345,440.13	345,143.62			(1,319.26)		344,120.87	347,662.01	3,837.65	0.00
GNMA	2004 A/B Single Family	4.49	12/16/04	12/20/34	1,055,484.17	1,027,035.92			(5,137.91)		1,050,346.26	1,035,326.89	13,428.88	0.00
GNMA	2004 A/B Single Family	4.49	10/14/04	10/20/34	1,628,212.33	1,584,327.46			(6,127.55)		1,622,084.78	1,598,889.92	20,690.01	0.00
GNMA	2004 A/B Single Family	5.00	10/14/04	10/20/34	1,023,768.53	1,022,889.75			(3,982.82)		1,019,785.71	1,030,279.64	11,372.71	0.00
GNMA	2004 A/B Single Family	5.00	10/21/04	10/20/34	1,333,833.36	1,332,688.43			(4,696.54)		1,329,136.82	1,342,814.08	14,822.19	0.00
GNMA	2004 A/B Single Family	4.49	10/21/04	10/20/34	1,476,394.88	1,436,601.92			(5,711.70)		1,470,683.18	1,449,653.26	18,763.04	0.00
GNMA	2004 A/B Single Family	5.00	10/28/04	10/20/34	484,895.84	484,479.63			(1,763.61)		483,132.23	488,103.82	5,387.80	0.00
GNMA	2004 A/B Single Family	4.49	10/28/04	10/20/34	780,162.77	759,135.20			(3,095.39)		777,067.38	765,955.76	9,915.95	0.00
GNMA	2004 A/B Single Family	4.49	11/04/04	11/20/34	1,874,091.34	1,823,579.34			(7,414.72)		1,866,676.62	1,839,984.22	23,819.60	0.00
GNMA	2004 A/B Single Family	4.49	11/10/04	11/20/34	1,184,607.05	1,152,678.58			(4,398.71)		1,180,208.34	1,163,332.03	15,052.16	0.00
GNMA	2004 A/B Single Family	5.00	11/10/04	10/20/34	538,615.52	538,153.19			(2,142.71)		536,472.81	541,993.30	5,982.82	0.00
GNMA	2004 A/B Single Family	4.49	11/18/04	11/20/34	980,153.48	953,735.60			(4,667.30)		975,486.18	961,537.28	12,468.98	0.00
GNMA	2004 A/B Single Family	5.00	11/23/04	11/20/34	409,096.30	410,781.84			(1,374.38)		407,721.92	413,980.31	4,572.85	0.00
GNMA	2004 A/B Single Family	4.49	11/23/04	11/20/34	1,927,484.58	1,875,533.50			(8,939.12)		1,918,545.46	1,891,111.39	24,517.01	0.00
GNMA	2004 A/B Single Family	5.00	12/23/04	12/20/34	415,210.72	414,854.31			(1,433.95)		413,776.77	418,034.66	4,614.30	0.00
GNMA	2004 A/B Single Family	4.49	12/23/04	12/20/34	521,647.48	507,587.63			(2,191.98)		519,455.50	512,027.59	6,631.94	0.00
GNMA	2004 A/B Single Family	5.00	12/29/04	12/20/34	561,278.36	560,796.57			(1,939.24)		559,339.12	565,094.89	6,237.56	0.00
GNMA	2004 A/B Single Family	4.49	12/29/04	12/20/34	385,078.07	376,826.26			(1,411.51)		383,666.56	380,245.44	4,830.69	0.00
GNMA	2004 A/B Single Family	4.49	01/06/05	01/20/35	754,895.78	734,297.66			(3,112.12)		751,783.66	740,957.68	9,772.14	0.00
GNMA	2004 A/B Single Family	4.49	01/13/05	01/20/35	900,430.31	875,861.13			(3,715.67)		896,714.64	883,801.58	11,656.12	0.00
GNMA	2004 A/B Single Family	4.49	01/19/05	01/20/35	647,282.75	629,620.97			(2,406.41)		644,876.34	635,589.87	8,375.31	0.00
GNMA	2004 A/B Single Family	4.49	01/28/05	01/20/35	507,979.56	494,118.81			(1,871.09)		506,108.47	498,820.30	6,572.58	0.00
GNMA	2004 A/B Single Family	4.49	02/03/05	02/20/35	2,076,794.88	2,020,127.37			(11,755.69)		2,065,039.19	2,035,301.81	26,930.13	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2004 A/B Single Family	4.49	02/10/05	02/20/35	1,459,394.80	1,427,679.40			(9,356.69)		1,450,038.11	1,437,035.01	18,712.30	0.00
GNMA	2004 A/B Single Family	5.00	02/10/05	02/20/35	1,987,284.20	1,985,317.49			(9,184.60)		1,978,099.60	1,998,574.76	22,441.87	0.00
GNMA	2004 A/B Single Family	4.49	02/17/05	02/20/35	571,966.42	556,359.72			(2,527.88)		569,438.54	561,238.38	7,406.54	0.00
GNMA	2004 A/B Single Family	5.00	02/17/05	01/20/35	605,335.86	604,736.79			(3,146.11)		602,189.75	608,422.97	6,832.29	0.00
GNMA	2004 A/B Single Family	4.49	02/24/05	02/20/35	381,859.21	371,439.79			(2,619.77)		379,239.44	373,778.24	4,958.22	0.00
GNMA	2004 A/B Single Family	5.00	03/03/05	02/20/35			425,235.67				425,235.67	429,637.24	4,401.57	0.00
GNMA	2004 A/B Single Family	4.49	03/03/05	03/20/35			381,593.85				381,593.85	378,171.93	(3,421.92)	0.00
GNMA	2004 A/B Single Family	5.00	03/10/05	03/20/35			281,954.97				281,954.97	286,299.97	4,345.00	0.00
GNMA	2004 A/B Single Family	4.49	03/17/05	03/20/35			596,694.99				596,694.99	588,102.34	(8,592.65)	0.00
GNMA	2004 A/B Single Family	5.00	03/24/05	03/20/35			434,138.40				434,138.40	438,632.14	4,493.74	0.00
GNMA	2004 A/B Single Family	4.49	03/24/05	03/20/35			112,651.72				112,651.72	111,641.53	(1,010.19)	0.00
GNMA	2004 A/B Single Family	5.00	03/30/05	03/20/35			189,707.18				189,707.18	192,630.62	2,923.44	0.00
GNMA	2004 A/B Single Family	5.00	04/07/05	04/20/35			254,958.22				254,958.22	258,887.19	3,928.97	0.00
GNMA	2004 A/B Single Family	4.49	04/07/05	04/20/35			812,837.18				812,837.18	801,132.00	(11,705.18)	0.00
GNMA	2004 A/B Single Family	5.00	04/21/05	04/20/35			541,359.00				541,359.00	546,962.57	5,603.57	0.00
GNMA	2004 A/B Single Family	4.49	04/21/05	04/20/35			332,426.03				332,426.03	327,638.96	(4,787.07)	0.00
GNMA	2004 A/B Single Family	5.00	04/28/05	04/20/35			397,810.17				397,810.17	403,940.53	6,130.36	0.00
GNMA	2004 A/B Single Family	5.00	05/05/05	05/20/35			201,557.47				201,557.47	204,663.52	3,106.05	0.00
GNMA	2004 A/B Single Family	4.49	05/05/05	04/20/35			1,087,216.27				1,087,216.27	1,071,559.92	(15,656.35)	0.00
GNMA	2004 A/B Single Family	5.00	05/12/05	04/20/35			225,709.66				225,709.66	229,187.91	3,478.25	0.00
GNMA	2004 A/B Single Family	4.49	05/12/05	04/20/35			666,670.96				666,670.96	660,692.63	(5,978.33)	0.00
GNMA	2004 A/B Single Family	5.00	05/26/05	05/20/35			131,504.21				131,504.21	133,530.72	2,026.51	0.00
GNMA	2004 A/B Single Family	4.49	05/26/05	05/20/35			289,301.54				289,301.54	286,707.25	(2,594.29)	0.00
FNMA	2004 A/B Single Family	4.49	08/05/04	07/01/34	477,763.01	462,036.80			(3,453.54)		474,309.47	464,515.90	5,932.64	0.00
FNMA	2004 A/B Single Family	4.49	08/12/04	08/01/34	373,332.71	361,043.96			(1,920.97)		371,411.74	363,742.80	4,619.81	0.00
FNMA	2004 A/B Single Family	4.49	08/26/04	08/01/34	349,406.13	337,904.95			(1,585.46)		347,820.67	340,638.84	4,319.35	0.00
FNMA	2004 A/B Single Family	4.49	09/02/04	08/01/34	250,019.85	241,790.11			(936.36)		249,083.49	243,940.39	(5,143.10)	0.00
FNMA	2004 A/B Single Family	4.49	10/28/04	10/01/34	302,085.83	292,142.26			(1,125.26)		300,960.57	294,746.30	(6,214.27)	0.00
FNMA	2004 A/B Single Family	5.00	10/28/04	10/01/34	258,125.78	255,864.17			(872.59)		257,253.19	258,602.46	3,610.88	0.00
FNMA	2004 A/B Single Family	4.49	11/10/04	10/01/34	381,357.78	368,804.87			(1,873.32)		379,484.46	371,648.83	(7,835.63)	0.00
FNMA	2004 A/B Single Family	5.00	11/23/04	11/01/34	282,251.44	279,778.46			(1,049.26)		281,202.18	282,677.06	3,947.86	0.00
FNMA	2004 A/B Single Family	4.49	02/10/05	01/01/35	274,040.10	265,025.20			(1,076.12)		272,963.98	267,314.08	(5,649.90)	0.00
FNMA	2004 A/B Single Family	5.00	02/10/05	02/01/35	465,261.46	461,185.02			(1,729.69)		463,531.77	465,962.96	6,507.63	0.00
FNMA	2004 A/B Single Family	5.00	03/29/05	04/01/35			252,928.19				252,928.19	254,188.70	1,260.51	0.00
FNMA	2004 A/B Single Family	4.49	04/21/05	04/01/35			356,252.96				356,252.96	348,879.12	(7,373.84)	0.00
Repo Agmt	2004 A/B Single Family	3.03	05/31/05	06/01/05	0.02	0.02	0.00				0.02	0.02	-	0.00
Repo Agmt	2004 A/B Single Family	1.28	04/28/04	11/01/05	104,229,926.11	104,229,926.11					95,973,295.91	95,973,295.91	-	0.00
Repo Agmt	2004 A/B Single Family Total				178,187,804.80	176,566,697.79	8,779,693.00	(11,201,214.38)	(304,644.69)	0.00	175,461,838.73	174,688,022.27	847,490.55	0.00
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05	88,000,000.00	88,000,000.00	88,000,000.00				88,000,000.00	88,000,000.00	-	0.00
Repo Agmt	2004 CDEF Single Family				31,330.25	31,330.25	230,614.19				261,944.44	261,944.44	-	0.00
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05	1,700,557.68	1,700,557.68			(1,686,030.01)		14,527.67	14,527.67	-	(0.00)
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05	620,620.00	620,620.00			(586,014.34)		34,605.66	34,605.66	-	0.00
Repo Agmt	2004 CDEF Single Family	3.80	12/16/04	03/01/36	136,756.76	136,756.76	1,772,565.20				1,909,321.96	1,909,321.96	-	0.00
Repo Agmt	2004 CDEF Single Family	3.80	10/28/04	03/01/36	1,562,432.42	1,562,432.42	0.00				1,562,432.42	1,562,432.42	-	0.00
FNMA	2004 CDEF Single Family	6.10	06/30/94	06/01/24	215,368.09	225,627.78			(41,496.14)		173,871.95	181,771.46	(2,360.18)	0.00
FNMA	2004 CDEF Single Family	6.90	08/17/94	08/01/24	342,224.41	363,982.50			(3,735.31)		338,489.10	360,336.55	89.36	0.00
FNMA	2004 CDEF Single Family	6.97	08/17/94	07/01/24	496,751.66	479,315.99			(4,623.61)		492,128.05	474,254.06	(438.32)	0.00
FNMA	2004 CDEF Single Family	7.06	08/17/94	07/01/24	280,095.87	299,969.83			(1,374.23)		278,721.64	297,943.24	(652.36)	0.00
FNMA	2004 CDEF Single Family	6.90	05/26/95	01/01/25	72,685.39	77,674.65			(398.48)		72,286.91	77,264.16	(12.01)	0.00
FNMA	2004 CDEF Single Family	7.10	08/15/95	05/01/25	143,183.48	153,832.59			(1,996.52)		141,186.96	151,620.76	(215.31)	0.00
GNMA	2004 CDEF Single Family	6.10	06/30/94	06/20/24	2,413,469.10	2,421,006.06			(69,290.38)		2,344,178.72	2,333,392.77	(18,322.91)	0.00
GNMA	2004 CDEF Single Family	6.90	08/17/94	08/20/24	1,718,230.34	1,772,836.56			(70,097.29)		1,648,133.05	1,695,319.84	(7,419.43)	0.00
GNMA	2004 CDEF Single Family	6.97	08/17/94	08/20/24	1,392,818.96	1,423,896.42			(118,479.07)		1,274,339.89	1,296,140.39	(9,276.96)	0.00
GNMA	2004 CDEF Single Family	7.06	08/17/94	08/20/24	482,836.17	517,772.43			(15,889.32)		466,946.85	498,146.59	(3,736.52)	0.00
GNMA	2004 CDEF Single Family	6.10	01/27/95	10/20/24	358,519.89	376,132.40			(2,734.83)		355,785.06	371,421.97	(1,975.60)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	6.97	02/16/95	12/20/24	606,634.53	647,128.01			(4,152.68)		602,481.85	642,843.65	(131.68)	0.00
GNMA	2004 CDEF Single Family	6.90	03/30/95	02/20/25	180,793.25	192,542.59			(45,895.62)		134,897.63	143,465.71	(3,181.26)	0.00
GNMA	2004 CDEF Single Family	7.06	03/30/95	12/20/24	91,028.22	97,440.89			(993.97)		90,034.25	96,192.08	(254.84)	0.00
GNMA	2004 CDEF Single Family	6.97	06/01/95	05/20/25	39,172.49	41,747.01			(315.63)		38,856.86	41,404.41	(26.97)	0.00
GNMA	2004 CDEF Single Family	6.90	08/15/95	02/20/25	52,987.73	56,471.26			(295.30)		52,692.43	56,137.02	(38.94)	0.00
GNMA	2004 CDEF Single Family	7.06	06/29/95	04/20/25	42,473.72	45,508.47			(264.96)		42,208.76	45,150.47	(93.04)	0.00
GNMA	2004 CDEF Single Family	7.10	06/29/95	05/20/25	243,717.17	261,133.94			(64,831.06)		178,886.11	191,259.36	(5,043.52)	0.00
GNMA	2004 CDEF Single Family	7.06	08/15/95	06/20/25	35,020.81	37,504.77			(175.60)		34,845.21	37,249.08	(80.09)	0.00
GNMA	2004 CDEF Single Family	7.10	08/15/95	08/20/25	399,090.58	422,070.25			(202,458.55)		196,632.03	204,138.94	(15,472.76)	0.00
GNMA	2004 CDEF Single Family	4.49	02/24/05	02/20/35	2,692,273.66	2,623,448.41			(11,878.19)		2,680,395.47	2,646,568.69	34,998.47	0.00
GNMA	2004 CDEF Single Family	4.49	03/17/05	03/20/35			6,819,853.07				6,819,853.07	6,733,694.48	(86,158.59)	0.00
GNMA	2004 CDEF Single Family	4.49	03/24/05	03/20/35			2,470,491.92				2,470,491.92	2,439,268.12	(31,223.80)	0.00
GNMA	2004 CDEF Single Family	4.49	03/29/05	02/20/35			425,421.24				425,421.24	422,358.66	(3,062.58)	0.00
GNMA	2004 CDEF Single Family	4.49	04/07/05	04/20/35			2,666,381.62				2,666,381.62	2,632,637.13	(33,744.49)	0.00
GNMA	2004 CDEF Single Family	4.49	04/14/05	04/20/35			1,208,467.56				1,208,467.56	1,193,173.76	(15,293.80)	0.00
GNMA	2004 CDEF Single Family	4.49	04/21/05	04/20/35			1,110,208.83				1,110,208.83	1,102,200.95	(8,007.88)	0.00
GNMA	2004 CDEF Single Family	4.49	04/28/05	04/20/35			1,850,734.19				1,850,734.19	1,827,312.16	(23,422.03)	0.00
GNMA	2004 CDEF Single Family	4.49	05/05/05	05/20/35			1,275,119.53				1,275,119.53	1,258,982.20	(16,137.33)	0.00
GNMA	2004 CDEF Single Family	4.49	05/12/05	05/20/35			232,183.82				232,183.82	230,509.09	(1,674.73)	0.00
GNMA	2004 CDEF Single Family	4.49	05/19/05	05/20/35			318,385.97				318,385.97	316,089.46	(2,296.51)	0.00
FNMA	2004 CDEF Single Family	4.49	05/26/05	05/20/35			1,094,724.21				1,094,724.21	1,080,869.89	(13,854.32)	0.00
FNMA	2004 CDEF Single Family	4.49	04/07/05	02/01/35			195,494.31				195,494.31	189,021.87	(6,472.44)	0.00
Inv Agmt	2004 CDEF Single Family	4.49	05/27/05	04/01/35			276,490.60				276,490.60	270,835.74	(5,654.86)	0.00
Repo Agmt	2004 CDEF Single Family	1.49	10/28/04	09/01/06	72,276,405.00	72,276,405.00		(23,615,015.00)			48,661,390.00	48,661,390.00	-	0.00
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05			3,408,952.22				3,408,952.22	3,408,952.22	-	0.00
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05	144,992.01	144,992.01			(12,578.84)		132,413.17	132,413.17	-	0.00
Repo Agmt	2004 CDEF Single Family	3.03	05/31/05	06/01/05	14,259.96	14,259.96			(13,650.84)		609.12	609.12	-	0.00
	2004 CDEF Single Family Total				176,786,729.60	177,024,396.89	113,356,088.48	(113,913,289.03)	(661,376.74)	0.00	175,568,162.31	175,525,171.37	(280,648.23)	0.00
GNMA	2002 A-D SF MRB	4.49	12/09/04	12/20/34	77,660.52	75,569.29			(307.67)		77,352.85	76,251.66	990.04	0.00
GNMA	2002 A-D SF MRB	4.49	12/16/04	12/20/34	72,247.60	70,302.01			(269.79)		71,977.81	70,952.86	920.64	0.00
GNMA	2002 A-D SF MRB	4.49	10/14/04	09/20/34	6,192.70	6,060.40			(23.47)		6,169.23	6,114.86	77.93	0.00
GNMA	2002 A-D SF MRB	4.49	10/01/04	10/20/34	12,871.10	12,596.51			(61.88)		12,809.22	12,696.84	162.21	0.00
GNMA	2002 A-D SF MRB	4.49	10/01/04	10/20/34	23,206.60	22,582.27			(110.79)		23,095.81	22,767.79	296.31	0.00
GNMA	2002 A-D SF MRB	4.49	11/04/04	10/20/34	101,243.24	98,520.21			(462.36)		100,780.88	99,350.06	1,292.21	0.00
GNMA	2002 A-D SF MRB	4.49	11/10/04	11/20/34	21,728.37	21,144.17			(86.80)		21,641.57	21,334.41	277.04	0.00
GNMA	2002 A-D SF MRB	4.49	11/18/04	11/20/34	39,018.32	37,969.76			(175.15)		38,843.17	38,292.55	497.94	0.00
GNMA	2002 A-D SF MRB	4.49	11/23/04	11/20/34	80,087.72	77,933.70			(302.42)		79,785.30	78,661.95	1,020.67	0.00
GNMA	2002 A-D SF MRB	4.49	12/02/04	12/20/34	129,945.69	126,446.86			(608.42)		129,337.27	127,497.28	1,658.84	0.00
GNMA	2002 A-D SF MRB	4.49	12/23/04	12/20/34	76,332.10	74,276.85			(298.92)		76,033.18	74,950.96	973.03	0.00
GNMA	2002 A-D SF MRB	4.49	12/29/04	12/20/34	88,307.52	85,930.35			(329.00)		87,978.52	86,726.65	1,125.30	0.00
GNMA	2002 A-D SF MRB	4.49	01/06/05	01/20/35	158,094.12	153,782.32			(665.99)		157,428.13	155,169.49	2,053.16	0.00
GNMA	2002 A-D SF MRB	4.49	01/13/05	01/20/35	86,864.35	84,495.63			(337.62)		86,526.73	85,285.44	1,127.43	0.00
GNMA	2002 A-D SF MRB	5.40	01/13/05	01/20/35	7,471.31	7,636.77			(23.22)		7,448.09	7,638.09	24.54	0.00
GNMA	2002 A-D SF MRB	4.49	01/19/05	01/20/35	105,002.99	102,139.67			(411.77)		104,591.22	103,090.84	1,362.94	0.00
GNMA	2002 A-D SF MRB	5.40	01/19/05	01/20/35	10,324.12	10,552.76			(32.08)		10,292.04	10,554.59	33.91	0.00
GNMA	2002 A-D SF MRB	4.49	01/27/05	01/20/35	119,769.84	116,503.91			(619.98)		119,149.86	117,442.15	1,558.22	0.00
GNMA	2002 A-D SF MRB	4.49	02/03/05	02/20/35	180,004.18	175,092.58			(883.37)		179,120.81	176,549.89	2,340.68	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	57,817.21	56,239.61			(254.07)		57,563.14	56,736.65	751.11	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	126,114.58	122,673.41			(635.26)		125,479.32	123,678.46	1,640.31	0.00
GNMA	2002 A-D SF MRB	4.49	02/17/05	02/20/35	83,465.48	81,188.04			(372.40)		83,093.08	81,900.09	1,084.45	0.00
GNMA	2002 A-D SF MRB	4.49	02/24/05	02/20/35	77,279.15	75,170.51			(442.78)		76,836.37	75,734.15	1,006.42	0.00
GNMA	2002 A-D SF MRB	4.49	03/03/05	03/20/35			74,300.15				74,300.15	73,232.42	(1,067.73)	0.00
GNMA	2002 A-D SF MRB	4.49	03/11/05	03/20/35			30,834.34				30,834.34	30,391.04	(443.30)	0.00
GNMA	2002 A-D SF MRB	4.49	03/17/05	03/20/35			47,059.78				47,059.78	46,383.27	(676.51)	0.00
GNMA	2002 A-D SF MRB	4.49	03/24/05	03/20/35			46,561.86				46,561.86	45,892.44	(669.42)	0.00
GNMA	2002 A-D SF MRB	4.49	04/07/05	04/20/35			72,056.42				72,056.42	71,020.22	(1,036.20)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	4.49	04/14/05	04/20/35			45,814.84				45,814.84	45,404.56	(410.28)	0.00
GNMA	2002 A-D SF MRB	4.49	04/21/05	04/20/35			64,901.83				64,901.83	63,967.98	(933.85)	0.00
GNMA	2002 A-D SF MRB	4.49	04/28/05	04/20/35			57,728.67				57,728.67	56,898.59	(830.08)	0.00
GNMA	2002 A-D SF MRB	4.49	05/05/05	05/20/35			107,113.74				107,113.74	105,571.26	(1,542.48)	0.00
GNMA	2002 A-D SF MRB	4.49	05/12/05	05/20/35			64,601.96				64,601.96	63,671.66	(930.30)	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35			55,360.43				55,360.43	54,863.99	(496.44)	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35			27,977.33				27,977.33	27,574.45	(402.88)	0.00
FNMA	2002 A-D SF MRB	4.49	11/04/04	10/01/34	12,214.09	11,812.26			(46.05)		12,168.04	11,917.22	151.01	0.00
FNMA	2002 A-D SF MRB	4.49	12/23/04	12/01/34	12,986.55	12,559.28			(89.83)		12,896.72	12,631.04	161.59	0.00
FNMA	2002 A-D SF MRB	4.49	01/19/05	01/01/35	17,100.71	16,537.91			(70.05)		17,030.66	16,679.43	211.57	0.00
FNMA	2002 A-D SF MRB	4.49	01/27/05	01/01/35	17,446.44	16,872.62			(66.38)		17,380.06	17,020.72	214.48	0.00
FNMA	2002 A-D SF MRB	4.49	03/14/05	12/01/34				13,741.40			13,741.40	13,457.83	(283.57)	0.00
FNMA	2002 A-D SF MRB	4.49	04/07/05	02/01/35				11,914.94			11,914.94	11,668.38	(246.56)	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/03/05	06/01/05	1,532,486.87	1,532,486.87				(727,943.93)	804,542.94	804,542.94	-	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	06/20/34	10,542.93	10,800.94			(36.79)		10,506.14	10,798.14	33.99	0.00
GNMA	2002 A-D SF MRB	5.40	06/01/04	06/20/34	18,840.15	19,328.47			(62.36)		18,777.79	19,327.00	60.89	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	16,518.34	16,915.93			(54.89)		16,463.45	16,914.32	53.28	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	23,514.38	23,981.12			(112.05)		23,402.33	23,944.08	75.01	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	21,225.19	21,699.15			(69.82)		21,155.37	21,697.70	68.37	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	8,004.78	8,223.57			(56.18)		7,948.60	8,192.84	25.45	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	8,097.01	8,295.31			(31.70)		8,065.31	8,289.66	26.05	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	10,796.88	11,060.91			(34.93)		10,761.95	11,060.84	34.86	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	8,661.48	8,866.80			(31.75)		8,629.73	8,862.94	27.89	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	17,646.48	18,078.91			(57.09)		17,589.39	18,078.79	56.97	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	4,709.49	4,820.22			(34.64)		4,674.85	4,800.46	14.88	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	3,018.86	3,089.52			(9.78)		3,009.08	3,089.48	9.74	0.00
GNMA	2002 A-D SF MRB	5.40	10/14/04	10/20/34	21,130.14	21,549.10			(86.85)		21,043.29	21,529.82	67.57	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	359,451.98	359,451.98			(327,489.99)		31,961.99	31,961.99	-	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	614,306.04	614,306.04			(46,190.31)		568,115.73	568,115.73	-	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	3,990,566.04	3,990,566.04			(3,973,467.68)		17,098.36	17,098.36	-	(0.00)
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	532,661.39	532,661.39			(532,628.24)		33.15	33.15	-	0.00
GICs	2002 A-D SF MRB	5.01	06/26/02	03/01/34			1,963,889.59				1,963,889.59	1,963,889.59	-	0.00
GICs	2002 A-D SF MRB	4.51	06/26/02	03/01/34	138,119.36	138,119.36					447,495.25	447,495.25	-	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	100,402.97	100,402.97			711.73		101,114.70	101,114.70	-	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	476,931.64	476,931.64				(2,429.57)	474,502.07	474,502.07	-	0.00
Repo Agmt	2002 A-D SF MRB				0.70	0.70				(0.70)			-	0.00
GICs	2002 A-D SF MRB	5.01	06/26/02	03/01/34			0.70				0.70	0.70	-	0.00
GNMA	2002 A-D SF MRB	5.40	08/29/02	08/20/32	225,708.43	230,848.26			(835.51)		224,872.92	230,738.58	725.83	0.00
GNMA	2002 A-D SF MRB	6.15	11/12/02	11/20/32	265,912.35	278,654.14			(848.65)		265,063.70	276,581.71	(1,223.78)	0.00
GNMA	2002 A-D SF MRB	5.40	11/12/02	10/20/32	379,572.03	388,215.65			(1,393.36)		378,178.67	388,043.19	1,220.90	0.00
GNMA	2002 A-D SF MRB	6.15	09/12/02	08/20/32	64,790.58	67,895.15			(260.36)		64,530.22	67,334.28	(300.51)	0.00
GNMA	2002 A-D SF MRB	6.15	09/19/02	09/20/32	154,241.84	161,632.67			(498.51)		153,743.33	160,424.04	(710.12)	0.00
GNMA	2002 A-D SF MRB	5.40	09/19/02	09/20/32	357,445.20	365,584.93			(1,532.60)		355,912.60	365,196.33	1,144.00	0.00
GNMA	2002 A-D SF MRB	6.15	09/26/02	09/20/32	277,069.71	290,346.13			(2,817.79)		274,251.92	286,169.18	(1,359.16)	0.00
GNMA	2002 A-D SF MRB	5.40	09/26/02	09/20/32	243,319.13	248,860.01			(889.71)		242,429.42	248,753.04	782.74	0.00
GNMA	2002 A-D SF MRB	6.15	10/10/02	09/20/32	335,343.80	351,412.54			(1,126.11)		334,217.69	348,740.66	(1,545.77)	0.00
GNMA	2002 A-D SF MRB	5.40	10/10/02	09/20/32	164,875.95	168,630.50			(605.34)		164,270.61	168,555.47	530.31	0.00
GNMA	2002 A-D SF MRB	6.15	10/21/02	10/20/32	223,602.29	234,316.68			(761.78)		222,840.51	232,523.73	(1,031.17)	0.00
GNMA	2002 A-D SF MRB	6.15	10/29/02	10/20/32	131,407.66	137,704.33			(457.22)		130,950.44	136,640.70	(606.41)	0.00
GNMA	2002 A-D SF MRB	5.40	10/29/02	09/20/32	58,555.63	59,888.01			(219.45)		58,336.18	59,856.78	188.22	0.00
GNMA	2002 A-D SF MRB	6.15	11/05/02	10/20/32	112,846.49	118,253.73			(49,848.78)		62,997.71	65,735.14	(2,669.81)	0.00
GNMA	2002 A-D SF MRB	5.40	11/05/02	09/20/32	143,250.18	146,512.29			(601.81)		142,648.37	146,369.27	458.79	0.00
GNMA	2002 A-D SF MRB	6.15	11/19/02	11/20/32	83,229.97	87,218.11			(262.61)		82,967.36	86,572.59	(382.91)	0.00
GNMA	2002 A-D SF MRB	5.40	11/19/02	11/20/32	102,123.36	104,448.90			(367.55)		101,755.81	104,410.03	328.68	0.00
GNMA	2002 A-D SF MRB	6.15	11/26/02	11/20/32	492,389.86	515,983.79			(2,219.49)		490,170.37	511,470.06	(2,294.24)	0.00
GNMA	2002 A-D SF MRB	5.40	11/26/02	11/20/32	277,051.08	283,360.09			(1,016.28)		276,034.80	283,234.97	891.16	0.00
GNMA	2002 A-D SF MRB	6.15	11/26/02	11/20/32	245,928.70	257,712.90			(90,711.60)		155,217.10	161,961.83	(5,039.47)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	5.40	11/26/02	11/20/32	149,262.17	152,661.21			(549.83)		148,712.34	152,591.44	489.06	0.00
GNMA	2002 A-D SF MRB	6.15	12/12/02	12/20/32	117,276.62	122,896.21			(367.67)		116,908.95	121,989.10	(539.44)	0.00
GNMA	2002 A-D SF MRB	5.40	12/12/02	12/20/32	111,325.08	113,860.17			(407.52)		110,917.56	113,810.76	358.11	0.00
GNMA	2002 A-D SF MRB	6.15	12/30/02	12/20/32	290,662.30	304,590.02			(29,651.00)		261,011.30	272,353.20	(2,585.82)	0.00
GNMA	2002 A-D SF MRB	5.40	12/30/02	12/20/32	210,697.98	215,496.00			(756.34)		209,941.64	216,417.83	678.17	0.00
GNMA	2002 A-D SF MRB	6.15	12/30/02	12/20/32	242,452.12	254,069.72			(782.18)		241,669.94	252,171.36	(1,116.18)	0.00
GNMA	2002 A-D SF MRB	5.40	12/30/02	12/20/32	202,041.68	206,642.57			(98,335.51)		103,706.17	106,411.27	(1,895.79)	0.00
GNMA	2002 A-D SF MRB	6.15	01/07/03	12/20/32	118,376.31	124,048.60			(385.12)		117,991.19	123,118.38	(545.10)	0.00
GNMA	2002 A-D SF MRB	6.15	01/23/03	01/20/33	499,973.49	524,773.99			(1,715.93)		498,257.56	520,220.64	(2,837.42)	0.00
GNMA	2002 A-D SF MRB	5.40	01/23/03	01/20/33	288,398.04	294,895.55			(1,068.91)		287,329.13	294,716.55	889.91	0.00
GNMA	2002 A-D SF MRB	6.15	01/23/03	01/20/33	193,155.27	202,736.50			(777.32)		192,377.95	200,857.95	(1,101.23)	0.00
GNMA	2002 A-D SF MRB	5.40	01/23/03	01/20/33	105,236.16	107,607.07			(374.00)		104,862.16	107,558.21	325.14	0.00
GNMA	2002 A-D SF MRB	6.15	01/30/03	01/20/33	419,310.13	440,109.43			(1,479.95)		417,830.18	436,248.04	(2,381.44)	0.00
GNMA	2002 A-D SF MRB	5.40	01/30/03	01/20/33	442,825.38	452,802.13			(2,076.48)		440,748.90	452,080.89	1,355.24	0.00
GNMA	2002 A-D SF MRB	6.15	02/12/03	02/20/33	489,113.70	513,375.51			(54,989.61)		434,124.09	453,260.17	(5,125.73)	0.00
GNMA	2002 A-D SF MRB	6.15	02/20/03	02/20/33	176,158.98	184,897.22			(559.07)		175,599.91	183,340.43	(997.72)	0.00
GNMA	2002 A-D SF MRB	5.40	03/03/03	03/20/33	120,447.69	123,161.34			(423.17)		120,024.52	123,110.42	372.25	0.00
GNMA	2002 A-D SF MRB	6.15	02/27/03	02/20/33	513,898.71	539,389.95			(1,845.32)		512,253.39	534,833.41	(2,911.22)	0.00
GNMA	2002 A-D SF MRB	5.40	02/27/03	01/20/33	109,355.87	111,819.64			(388.63)		108,967.24	111,768.88	337.87	0.00
GNMA	2002 A-D SF MRB	6.15	03/12/03	02/20/33	427,539.34	448,746.85			(1,494.36)		426,044.98	444,824.95	(2,427.54)	0.00
GNMA	2002 A-D SF MRB	6.15	03/24/03	03/20/33	329,699.37	346,053.64			(106,072.46)		223,626.91	233,484.32	(6,496.86)	0.00
GNMA	2002 A-D SF MRB	5.40	03/24/03	02/20/33	112,751.84	115,292.11			(426.00)		112,325.84	115,213.83	347.72	0.00
GNMA	2002 A-D SF MRB	6.15	04/02/03	04/20/33	419,515.27	440,324.73			(100,907.39)		318,607.88	332,652.03	(6,765.31)	0.00
GNMA	2002 A-D SF MRB	6.15	04/02/03	03/20/33	163,474.00	171,582.92			(504.29)		162,969.71	170,153.39	(925.24)	0.00
GNMA	2002 A-D SF MRB	6.15	04/10/03	03/20/33	326,261.52	342,445.29			(1,277.45)		324,984.07	339,309.31	(1,858.53)	0.00
GNMA	2002 A-D SF MRB	6.15	04/10/03	03/20/33	72,318.55	75,905.84			(222.29)		72,096.26	75,274.27	(409.28)	0.00
GNMA	2002 A-D SF MRB	5.40	04/10/03	01/20/33	93,129.21	95,227.39			(330.98)		92,798.23	95,184.14	287.73	0.00
GNMA	2002 A-D SF MRB	6.15	04/17/03	04/20/33	167,223.39	175,518.26			(515.07)		166,708.32	174,056.78	(946.41)	0.00
GNMA	2002 A-D SF MRB	6.15	04/24/03	04/20/33	173,281.36	181,876.76			(622.36)		172,659.00	180,269.78	(984.82)	0.00
GNMA	2002 A-D SF MRB	6.15	04/29/03	03/20/33	89,892.11	94,351.06			(284.44)		89,607.67	93,557.52	(509.10)	0.00
GNMA	2002 A-D SF MRB	6.15	05/08/03	04/20/33	104,766.94	109,963.78			(52,317.84)		52,449.10	54,761.06	(2,884.88)	0.00
GNMA	2002 A-D SF MRB	6.15	05/08/03	04/20/33	85,999.81	90,265.69			(270.87)		85,728.94	89,507.84	(486.98)	0.00
GNMA	2002 A-D SF MRB	6.15	05/15/03	04/20/33	183,369.27	192,465.02			(798.32)		182,570.95	190,618.60	(1,048.10)	0.00
GNMA	2002 A-D SF MRB	6.15	05/22/03	05/20/33	65,332.57	68,573.29			(199.73)		65,132.84	68,003.86	(369.70)	0.00
GNMA	2002 A-D SF MRB	6.15	06/10/03	06/20/33	64,813.92	68,028.91			(200.20)		64,613.72	67,461.88	(366.83)	0.00
GNMA	2002 A-D SF MRB	6.15	06/10/03	06/20/33	93,661.96	98,307.94			(301.82)		93,360.14	97,475.43	(530.69)	0.00
GNMA	2002 A-D SF MRB	5.40	06/10/03	04/20/33	133,581.40	136,590.92			(133,581.39)		0.01	0.01	(3,009.52)	0.00
GNMA	2002 A-D SF MRB	6.15	06/19/03	05/20/33	83,549.71	87,694.07			(198.75)		83,350.96	87,025.05	(470.27)	0.00
GNMA	2002 A-D SF MRB	6.15	07/17/03	07/20/33	53,072.17	55,704.72			(221.62)		52,850.55	55,180.17	(302.93)	0.00
GNMA	2002 A-D SF MRB	6.15	07/17/03	07/20/33	96,983.89	101,794.63			(490.87)		96,493.02	100,746.40	(557.36)	0.00
GNMA	2002 A-D SF MRB	6.15	07/24/03	07/20/33	162,718.32	170,789.76			(73,650.77)		89,067.55	92,993.64	(4,145.35)	0.00
GNMA	2002 A-D SF MRB	6.15	07/30/03	07/20/33	49,452.49	51,905.48			(149.62)		49,302.87	51,476.10	(279.76)	0.00
GNMA	2002 A-D SF MRB	6.15	09/04/03	08/20/33	56,471.58	59,272.79			(168.02)		56,303.56	58,785.43	(319.34)	0.00
GNMA	2002 A-D SF MRB	6.15	09/30/03	09/20/33	234,930.31	246,583.74			(701.55)		234,228.76	244,553.54	(1,328.65)	0.00
GNMA	2002 A-D SF MRB	6.15	10/09/03	08/20/33	156,232.47	163,982.16			(465.98)		155,766.49	162,632.64	(863.54)	0.00
GNMA	2002 A-D SF MRB	6.15	01/15/04	12/20/33	66,933.34	70,253.49			(227.08)		66,706.26	69,646.67	(379.74)	0.00
GNMA	2002 A-D SF MRB	6.15	02/26/04	02/20/34	49,126.74	51,565.08			(148.64)		48,978.10	51,139.02	(277.42)	0.00
GNMA	2002 A-D SF MRB	6.15	03/11/04	03/20/34	105,970.27	111,229.99			(302.09)		105,668.18	110,330.28	(597.62)	0.00
GNMA	2002 A-D SF MRB	5.40	07/08/04	06/20/34	253,588.86	258,722.33			(1,377.40)		252,211.46	258,655.25	1,310.32	0.00
GNMA	2002 A-D SF MRB	6.15	04/01/04	04/20/34	40,782.48	42,806.70			(115.75)		40,666.73	42,460.98	(229.97)	0.00
GNMA	2002 A-D SF MRB	5.40	06/17/04	06/20/34	453,907.56	462,987.95			(2,488.16)		451,419.40	462,952.76	2,452.97	0.00
GNMA	2002 A-D SF MRB	5.40	09/02/04	09/20/34	397,132.93	405,198.57			(2,066.37)		395,066.56	405,160.17	2,027.97	0.00
GNMA	2002 A-D SF MRB	5.40	09/09/04	09/20/34	564,221.09	574,436.19			(3,586.26)		560,634.83	573,548.83	2,698.90	0.00
GNMA	2002 A-D SF MRB	5.40	09/16/04	09/20/34	508,447.88	519,774.67			(1,656.22)		506,791.66	519,739.72	1,621.27	0.00
GNMA	2002 A-D SF MRB	5.40	07/15/04	07/20/34	193,165.27	196,984.71			(1,805.75)		191,359.52	196,248.60	1,069.64	0.00
GNMA	2002 A-D SF MRB	5.40	07/22/04	07/20/34	194,761.31	198,703.35			(1,140.20)		193,621.11	198,567.97	1,004.82	0.00
GNMA	2002 A-D SF MRB	5.40	07/29/04	07/20/34	259,691.59	264,949.34			(1,344.47)		258,347.12	264,947.68	1,342.81	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	5.40	08/05/04	08/20/34	208,152.36	212,392.44			(1,141.27)		207,011.09	212,300.04	1,048.87	0.00
GNMA	2002 A-D SF MRB	5.40	08/12/04	08/20/34	423,622.79	433,056.39			(1,354.21)		422,268.58	433,053.63	1,351.45	0.00
GNMA	2002 A-D SF MRB	5.40	08/20/04	08/20/34	113,153.29	115,461.81			(1,029.27)		112,124.02	114,988.69	556.15	0.00
GNMA	2002 A-D SF MRB	5.40	08/26/04	08/20/34	72,524.51	74,005.42			(363.75)		72,160.75	74,004.40	362.74	0.00
GNMA	2002 A-D SF MRB	5.40	12/02/04	12/20/34	484,616.28	495,412.18			(2,457.81)		482,158.47	494,477.18	1,522.81	0.00
GNMA	2002 A-D SF MRB	4.49	12/09/04	12/20/34	1,422,744.96	1,384,398.02			(5,581.46)		1,417,163.50	1,386,898.90	18,082.34	0.00
GNMA	2002 A-D SF MRB	4.49	12/16/04	12/20/34	1,323,577.95	1,287,903.84			(4,894.26)		1,318,683.69	1,299,827.28	16,817.70	0.00
GNMA	2002 A-D SF MRB	5.40	10/14/04	10/20/34	506,166.75	516,180.18			(2,060.19)		504,106.56	515,718.43	1,598.44	0.00
GNMA	2002 A-D SF MRB	4.49	10/14/04	09/20/34	113,455.28	111,024.04			(425.75)		113,029.53	112,021.63	1,423.34	0.00
GNMA	2002 A-D SF MRB	5.40	10/21/04	10/20/34	1,778,452.44	1,818,071.38			(5,642.93)		1,772,809.51	1,818,103.19	5,674.74	0.00
GNMA	2002 A-D SF MRB	4.49	10/21/04	10/20/34	235,816.16	230,762.86			(1,122.66)		234,693.50	232,600.75	2,960.55	0.00
GNMA	2002 A-D SF MRB	5.40	10/28/04	10/20/34	471,887.54	481,222.83			(77,054.96)		394,832.58	403,927.37	(240.50)	0.00
GNMA	2002 A-D SF MRB	4.49	10/29/04	10/20/34	425,156.97	413,697.79			(2,009.66)		423,147.31	417,096.54	5,408.41	0.00
GNMA	2002 A-D SF MRB	4.49	11/04/04	10/20/34	1,854,842.77	1,804,849.59			(8,387.46)		1,846,455.31	1,820,052.09	23,589.96	0.00
GNMA	2002 A-D SF MRB	5.40	11/04/04	11/20/34	468,364.55	478,798.40			(1,707.64)		466,656.91	478,579.58	1,488.82	0.00
GNMA	2002 A-D SF MRB	4.49	11/10/04	11/20/34	398,082.01	387,352.59			(1,574.61)		396,507.40	390,837.56	5,059.58	0.00
GNMA	2002 A-D SF MRB	5.40	11/10/04	11/20/34	150,307.10	153,655.54			(496.49)		149,810.61	153,638.16	479.11	0.00
GNMA	2002 A-D SF MRB	4.49	11/18/04	11/20/34	714,857.81	695,590.39			(3,177.51)		711,680.30	701,503.68	9,090.80	0.00
GNMA	2002 A-D SF MRB	4.49	11/23/04	11/20/34	1,467,259.95	1,427,713.19			(5,486.16)		1,461,773.79	1,440,871.26	18,644.23	0.00
GNMA	2002 A-D SF MRB	4.49	12/02/04	12/20/34	2,380,618.60	2,316,454.29			(11,037.29)		2,369,581.31	2,335,697.67	30,280.67	0.00
GNMA	2002 A-D SF MRB	5.40	12/23/04	12/20/34	282,389.01	288,679.84			(1,392.64)		280,996.37	288,175.57	888.37	0.00
GNMA	2002 A-D SF MRB	4.49	12/23/04	12/20/34	1,398,412.28	1,360,721.17			(5,422.69)		1,392,989.59	1,373,070.64	17,772.16	0.00
GNMA	2002 A-D SF MRB	4.49	12/29/04	12/20/34	1,617,813.19	1,574,208.61			(5,968.25)		1,611,844.94	1,588,796.50	20,556.14	0.00
GNMA	2002 A-D SF MRB	4.49	01/06/05	01/20/35	2,896,255.96	2,817,228.60			(12,081.62)		2,884,174.34	2,842,641.05	37,494.07	0.00
GNMA	2002 A-D SF MRB	5.40	01/06/05	01/20/35	454,289.05	464,345.12			(1,572.94)		452,716.11	464,246.03	1,473.85	0.00
GNMA	2002 A-D SF MRB	4.49	01/13/05	01/20/35	1,591,346.74	1,547,925.19			(6,124.72)		1,585,222.02	1,562,394.18	20,593.71	0.00
GNMA	2002 A-D SF MRB	5.40	01/13/05	01/20/35	136,872.74	139,902.53			(421.18)		136,451.56	139,926.75	445.40	0.00
GNMA	2002 A-D SF MRB	4.49	01/19/05	01/20/35	1,923,645.31	1,871,158.65			(7,469.87)		1,916,175.44	1,888,581.74	24,894.96	0.00
GNMA	2002 A-D SF MRB	5.40	01/19/05	01/20/35	189,135.64	193,322.30			(582.03)		188,553.61	193,355.74	615.47	0.00
GNMA	2002 A-D SF MRB	4.49	01/27/05	01/20/35	2,194,174.08	2,134,303.58			(11,247.04)		2,182,927.04	2,151,491.83	28,435.29	0.00
GNMA	2002 A-D SF MRB	4.49	02/03/05	02/20/35	3,297,602.26	3,207,623.76			(16,025.10)		3,281,577.16	3,234,321.13	42,722.47	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	1,059,187.52	1,030,286.49			(4,609.15)		1,054,578.37	1,039,392.02	13,714.68	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	2,310,366.95	2,247,326.19			(11,524.36)		2,298,842.59	2,265,738.32	29,336.49	0.00
GNMA	2002 A-D SF MRB	5.40	02/17/05	11/20/34	197,125.08	201,516.48			(854.16)		196,270.92	201,285.49	623.17	0.00
GNMA	2002 A-D SF MRB	4.49	02/17/05	02/20/35	1,529,053.09	1,487,331.29			(6,755.62)		1,522,297.47	1,500,375.78	19,800.11	0.00
GNMA	2002 A-D SF MRB	4.49	02/24/05	02/20/35	1,415,722.16	1,377,092.71			(8,032.46)		1,407,689.70	1,387,418.39	18,358.14	0.00
GNMA	2002 A-D SF MRB	4.49	03/03/05	03/20/35			1,361,189.54				1,361,189.54	1,341,587.87	(19,601.67)	0.00
GNMA	2002 A-D SF MRB	4.49	03/11/05	03/20/35			564,885.86				564,885.86	556,751.29	(8,134.57)	0.00
GNMA	2002 A-D SF MRB	5.40	03/17/05	02/20/35			128,964.82				128,964.82	132,249.35	3,284.53	0.00
GNMA	2002 A-D SF MRB	4.49	03/17/05	03/20/35			862,137.57				862,137.57	849,722.44	(12,415.13)	0.00
GNMA	2002 A-D SF MRB	4.49	03/24/05	03/20/35			853,014.42				853,014.42	840,730.66	(12,283.76)	0.00
GNMA	2002 A-D SF MRB	4.49	04/07/05	04/20/35			1,320,070.67				1,320,070.67	1,301,061.12	(19,009.55)	0.00
GNMA	2002 A-D SF MRB	4.49	04/14/05	04/20/35			839,319.25				839,319.25	831,792.70	(7,526.55)	0.00
GNMA	2002 A-D SF MRB	5.40	04/21/05	04/20/35			233,852.41				233,852.41	239,220.21	5,367.80	0.00
GNMA	2002 A-D SF MRB	4.49	04/21/05	04/20/35			1,188,988.84				1,188,988.84	1,171,866.92	(17,121.92)	0.00
GNMA	2002 A-D SF MRB	4.49	04/28/05	04/20/35			1,057,588.50				1,057,588.50	1,042,358.79	(15,229.71)	0.00
GNMA	2002 A-D SF MRB	5.40	04/28/05	04/20/35			134,437.45				134,437.45	137,861.35	3,423.90	0.00
GNMA	2002 A-D SF MRB	4.49	05/05/05	05/20/35			1,962,279.63				1,962,279.63	1,934,022.01	(28,257.62)	0.00
GNMA	2002 A-D SF MRB	5.40	05/05/05	04/20/35			236,927.46				236,927.46	242,365.85	5,438.39	0.00
GNMA	2002 A-D SF MRB	4.49	05/12/05	05/20/35			1,183,481.24				1,183,481.24	1,166,438.63	(17,042.61)	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35			1,014,180.34				1,014,180.34	1,005,085.75	(9,094.59)	0.00
GNMA	2002 A-D SF MRB	5.40	05/26/05	05/20/35			163,255.54				163,255.54	167,413.39	4,157.85	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/34			512,533.28				512,533.28	505,152.59	(7,380.69)	0.00
FNMA	2002 A-D SF MRB	6.40	07/24/03	11/01/32	78,242.98	81,385.22			(213.96)		78,029.02	80,985.54	(185.72)	0.00
FNMA	2002 A-D SF MRB	5.40	08/14/03	09/01/32	117,232.92	118,524.61			(428.10)		116,804.82	118,657.49	560.98	0.00
FNMA	2002 A-D SF MRB	6.15	08/14/03	12/01/31	67,000.87	69,718.54			(429.45)		66,571.42	69,028.87	(260.22)	0.00
FNMA	2002 A-D SF MRB	6.40	08/28/03	11/01/32	49,332.24	51,313.42			(134.91)		49,197.33	51,061.42	(117.09)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
FNMA	2002 A-D SF MRB	5.45	03/25/04	02/01/34	84,758.55	85,304.73			(249.14)		84,509.41	85,445.50	389.91	0.00
FNMA	2002 A-D SF MRB	6.15	04/01/04	02/01/34	105,200.63	109,625.33			(301.00)		104,899.63	108,724.59	(599.74)	0.00
FNMA	2002 A-D SF MRB	5.40	10/28/04	10/01/34	311,545.28	314,731.95			(1,214.40)		310,330.88	314,845.91	1,328.36	0.00
FNMA	2002 A-D SF MRB	4.49	11/04/04	10/01/34	223,761.06	216,395.66			(839.59)		222,921.47	218,318.56	2,762.49	0.00
FNMA	2002 A-D SF MRB	4.49	12/23/04	12/01/34	237,912.05	230,080.85			(1,637.98)		236,274.07	231,395.45	2,952.58	0.00
FNMA	2002 A-D SF MRB	4.49	01/19/05	01/01/35	313,279.75	302,967.72			(1,277.14)		312,002.61	305,560.35	3,869.77	0.00
FNMA	2002 A-D SF MRB	4.49	01/27/05	01/01/35	319,613.48	309,099.39			(1,210.48)		318,403.00	311,812.59	3,923.68	0.00
FNMA	2002 A-D SF MRB	4.49	03/14/05	12/01/34			251,739.92				251,739.92	246,541.98	(5,197.94)	0.00
FNMA	2002 A-D SF MRB	5.40	03/24/05	02/01/35			245,091.52				245,091.52	248,657.38	3,565.86	0.00
FNMA	2002 A-D SF MRB	4.49	04/07/05	02/01/35			218,277.90				218,277.90	213,759.92	(4,517.98)	0.00
Repo Agmt	2002 A-D SF MRB				(0.02)	(0.02)	0.02						-	0.00
GICs	2002 A-D SF MRB	2.23	09/24/04	03/01/34	36,624,667.61	36,624,667.61		(14,364,010.07)			22,260,657.54	22,260,657.54	-	0.00
Repo Agmt	2002 A-D SF MRB	3.03	05/31/05	06/01/05	1,181,127.84	1,181,127.84	8,372.39				1,189,500.23	1,189,500.23	-	0.00
	2002 A-D SF MRB Total				103,165,540.08	102,984,314.89	17,334,534.17	(19,974,160.49)	(1,100,332.58)	0.00	99,425,581.18	99,484,768.60	240,412.61	
Repo Agmt	2004A Single Family (Jr Lien)	3.03	05/31/05	06/01/05	4,002.76	4,002.76		(3,076.80)			925.96	925.96	-	0.00
Repo Agmt	2004A Single Family (Jr Lien)	3.03	05/31/05	06/01/05	124,205.19	124,205.19	0.00				124,205.19	124,205.19	-	0.00
Repo Agmt	2004A Single Family (Jr Lien)	3.03	05/31/05	06/01/05	17,381.96	17,381.96		(17,380.35)			1.61	1.61	-	0.00
GICs	2004A Single Family (Jr Lien)	1.28	04/28/04	11/01/05	4,004,199.15	4,004,199.15		(58,764.10)			3,945,435.05	3,945,435.05	-	0.00
	2004A Single Family Total				4,149,789.06	4,149,789.06	0.00	(79,221.25)	0.00	0.00	4,070,567.81	4,070,567.81	0.00	
Repo Agmt	1991 A S/F (1980 A Rfdng)	3.03	05/31/05	06/01/05	10,621.91	10,621.91		(9,391.45)			1,230.46	1,230.46	-	0.00
GICs	1991 A S/F (1980 A Rfdng)	6.08	11/14/96	09/30/29	339,520.22	339,520.22	43,696.74				383,216.96	383,216.96	-	0.00
Repo Agmt	1991 A S/F (1980 A Rfdng)	3.03	05/31/05	06/01/05	9,460.28	9,460.28		(9,332.13)			128.15	128.15	-	(0.00)
GICs	1991 A S/F (1980 A Rfdng)	6.08	11/14/96	09/30/29	383,875.58	383,875.58	147,873.51				531,749.09	531,749.09	-	0.00
Repo Agmt	1991 A S/F (1980 A Rfdng)	3.03	05/31/05	06/01/05	12,832.92	12,832.92		(12,830.63)			2.29	2.29	-	0.00
GICs	1991 A S/F (1980 A Rfdng)	4.51	06/26/02	03/01/34	516,896.36	516,896.36	12,840.34				529,736.70	529,736.70	-	0.00
Repo Agmt	1991 A S/F (1980 A Rfdng)	3.03	05/31/05	06/01/05	0.08	0.08	0.00				0.08	0.08	-	0.00
Repo Agmt	1991 A S/F (1980 A Rfdng)				0.81	0.81		(0.81)					-	0.00
GICs	1991 A S/F (1980 A Rfdng)	6.08	11/14/96	09/30/29	9.23	9.23	0.81				10.04	10.04	-	0.00
	1991 A S/F (1980 A Rfdng) Total				1,273,217.39	1,273,217.39	204,411.40	(31,555.02)	0.00	0.00	1,446,073.77	1,446,073.77	0.00	
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	2,350.80	2,350.80		(1,614.51)			736.29	736.29	-	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	0.23	0.23	0.00				0.23	0.23	-	0.00
GICs	1994 A&B SF (1983 Rfdng)	6.08	11/14/96	09/30/29	11,463.16	11,463.16	7,344.50				18,807.66	18,807.66	-	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	05/30/96	04/01/26	18,244.78	19,184.57			(155.58)		18,089.20	18,938.76	(90.23)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	06/27/96	05/01/26	12,924.40	13,562.07			(93.20)		12,831.20	13,406.07	(62.80)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	07/15/96	06/01/28	15,367.18	16,182.56			(194.64)		15,172.54	15,908.54	(79.38)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	07/01/96	06/01/26	11,538.57	12,160.94			(63.88)		11,474.69	12,041.34	(55.72)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	08/15/96	07/01/26	16,561.04	17,445.01			(174.53)		16,386.51	17,186.55	(83.93)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	08/29/96	08/01/26	16,362.33	17,033.38			(123.92)		16,238.41	16,830.64	(78.82)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	09/16/96	08/01/26	12,017.30	12,488.05			(170.43)		11,846.87	12,257.25	(60.37)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	10/30/96	10/01/26	27,245.91	28,304.46			(304.21)		26,941.70	27,866.34	(133.91)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	12/23/96	11/01/26	20,923.67	21,751.43			(2,027.85)		18,895.82	19,557.72	(165.86)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	03/27/97	01/01/27	13,389.04	13,903.96			(546.37)		12,842.67	13,278.39	(79.20)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	07/15/97	03/01/27	3,481.14	3,617.62			(108.16)		3,372.98	3,489.93	(19.53)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.15	09/29/97	07/01/27	16,124.58	16,816.64			(3,210.18)		12,914.40	13,413.71	(192.75)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	07/30/96	07/20/26	82,977.41	87,198.77			(1,586.28)		81,391.13	85,218.74	(393.75)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	03/28/96	03/20/26	28,298.71	29,748.22			(200.58)		28,098.13	29,429.25	(118.39)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	08/15/96	07/20/26	71,047.06	74,655.01			(5,488.92)		65,558.14	68,635.23	(530.86)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	04/29/96	04/20/26	37,715.93	39,634.83			(3,311.85)		34,404.08	36,022.23	(300.75)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	05/15/96	05/20/26	70,378.14	73,955.64			(3,284.19)		67,093.95	70,246.45	(425.00)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	05/30/96	05/20/26	50,409.91	52,990.44			(9,954.89)		40,455.02	42,370.29	(665.26)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	06/17/96	06/20/26	104,379.71	109,699.88			(772.81)		103,606.90	108,489.14	(437.93)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	06/29/96	06/20/26	30,861.25	32,424.03			(612.84)		30,248.41	31,663.85	(147.34)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	07/15/96	06/20/26	92,894.90	97,579.45			(1,294.24)		91,600.66	95,867.77	(147.44)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	08/29/96	08/20/26	68,753.61	69,697.34			(11,377.00)		55,376.61	57,607.00	(713.34)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	1994 A&B SF (1983 Rfdng)	6.15	09/16/96	09/20/26	33,455.21	34,892.69			(5,896.13)		27,559.08	28,638.01	(358.55)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	09/26/96	09/20/26	26,077.48	27,214.74			(2,263.83)		23,813.65	24,761.22	(189.69)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	10/30/96	10/20/26	88,574.45	92,385.90			(19,967.84)		72,606.61	75,453.76	(964.30)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	11/26/96	11/20/26	53,474.40	55,846.89			(5,050.98)		48,423.42	50,386.72	(409.19)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	12/23/96	12/20/26	31,441.76	32,781.07			(214.55)		31,227.21	32,438.22	(128.30)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	01/16/97	12/20/26	61,231.37	63,841.43			(874.50)		60,356.87	62,699.32	(267.61)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	01/30/97	01/20/27	42,996.12	44,890.92			(2,776.11)		40,220.01	41,849.14	(265.67)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	02/13/97	02/20/27	35,601.83	37,168.36			(220.19)		35,381.64	36,812.39	(135.78)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	02/27/97	02/20/27	17,344.89	18,079.04			(114.00)		17,230.89	17,898.92	(66.12)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	03/27/97	03/20/27	31,782.59	33,091.51			(195.33)		31,587.26	32,775.88	(120.30)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	04/29/97	04/20/27	15,002.82	15,604.40			(78.57)		14,924.25	15,469.70	(56.13)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	05/29/97	05/20/27	23,614.60	24,561.46			(3,063.96)		20,550.64	21,301.69	(195.81)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	06/26/97	06/20/27	14,901.08	15,508.43			(100.76)		14,800.32	15,351.00	(56.67)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	08/18/97	07/20/27	25,673.06	26,963.26			(3,288.78)		22,384.28	23,428.97	(245.51)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	09/29/97	08/20/27	38,212.07	39,772.33			(199.96)		38,012.11	39,429.18	(143.19)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	02/26/98	02/20/28	9,721.18	10,103.59			(46.30)		9,674.88	10,019.38	(37.91)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	03/26/98	01/20/28	17,622.46	18,315.73			(151.30)		17,471.16	18,093.32	(71.11)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	04/29/98	04/20/28	16,975.91	17,643.71			(108.68)		16,867.23	17,467.85	(67.18)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	06/25/98	05/20/28	26,841.24	27,897.18			(148.08)		26,693.16	27,643.71	(105.39)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	07/16/98	06/20/28	12,778.82	13,281.58			(143.54)		12,635.28	13,085.26	(52.78)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	09/10/98	07/20/28	22,424.95	23,307.14			(174.02)		22,250.93	23,043.28	(89.84)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.15	11/19/98	10/20/28	41,367.85	42,995.28			(3,386.58)		37,981.27	39,333.80	(274.90)	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	24,290.49	24,290.49					8,387.86	8,387.86	-	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	810,196.48	810,196.48	0.00				810,196.48	810,196.48	-	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	7.60	7.60	0.00				7.60	7.60	-	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	10,156.69	10,156.69	71.96				10,228.65	10,228.65	-	0.00
Repo Agmt	1994 A&B SF (1983 Rfdng)	3.03	05/31/05	06/01/05	1,492,641.66	1,492,641.66	101,710.35				1,594,352.01	1,594,352.01	-	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.75	02/29/98	01/01/28	5,230.69	5,438.64			(40.46)		5,190.23	5,378.15	(20.03)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.25	03/27/98	03/01/28	5,539.49	5,755.41			(33.64)		5,505.85	5,702.63	(19.14)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.25	06/29/98	05/01/28	4,459.68	4,633.43			(43.86)		4,415.82	4,573.56	(16.01)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.75	02/20/98	01/20/28	42,778.52	44,563.25			(2,143.37)		40,635.15	42,200.43	(219.45)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.25	11/30/98	09/01/28	7,286.17	7,570.17			(817.39)		6,468.78	6,699.97	(52.81)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	03/27/98	03/20/28	70,765.14	73,717.46			(7,223.49)		63,541.65	65,989.27	(504.70)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	05/19/98	05/20/28	50,090.44	52,180.19			(4,604.38)		45,486.06	47,238.17	(337.64)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/28/00	06/20/30	26,088.64	26,505.00			(1,263.69)		24,824.95	25,304.30	62.99	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	08/14/98	07/20/28	29,459.18	30,688.22			(1,965.02)		27,494.16	28,553.23	(169.97)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	06/29/98	06/20/28	11,964.54	12,463.72			(62.53)		11,902.01	12,360.50	(40.69)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	09/18/98	09/20/28	16,326.83	17,007.93			(76.68)		16,250.15	16,876.06	(55.19)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.25	03/31/99	11/01/28	2,494.25	2,591.47			(27.78)		2,466.47	2,554.61	(9.08)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	11/30/98	11/20/28	16,557.44	17,248.20			(80.15)		16,477.29	17,111.98	(56.07)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	11/30/98	11/20/28	11,444.57	11,922.05			(1,047.78)		10,396.79	10,797.29	(76.98)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	11/30/98	10/20/28	3,481.72	3,626.97			(18.13)		3,463.59	3,597.01	(11.83)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	6.25	05/27/99	11/01/28	2,777.85	2,888.30			(57.17)		2,720.68	2,819.19	(11.94)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	02/16/99	02/20/29	26,946.37	28,053.87			(3,085.57)		23,860.80	24,760.83	(207.47)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	03/31/99	02/20/29	1,181.76	1,230.32			(6.24)		1,175.52	1,219.86	(4.22)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	6.25	05/27/99	05/20/29	8,289.04	8,629.72			(1,155.84)		7,133.20	7,402.27	(71.61)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/30/99	07/20/29	19,237.47	19,553.73			(1,256.19)		17,981.28	18,334.97	(37.43)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	08/26/99	08/20/29	14,793.65	15,036.84			(723.67)		14,069.98	14,346.72	(33.55)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	09/20/99	08/01/29	3,006.00	3,033.59			(18.88)		2,987.02	3,034.26	19.65	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	09/20/99	09/20/29	8,498.99	8,638.73			(830.19)		7,668.80	7,819.65	(11.11)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	12/20/99	12/01/29	8,645.27	8,725.54			(1,060.03)		7,585.24	7,706.03	(40.52)	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	01/19/00	12/01/29	5,294.82	5,344.01			(30.61)		5,264.21	5,348.08	34.68	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	10/28/99	10/20/29	27,967.36	28,427.13			(818.89)		27,148.47	27,682.46	(74.22)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	11/18/99	11/20/29	4,707.35	4,784.76			(718.91)		3,988.44	4,066.92	(1.07)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	12/30/99	12/20/29	58,167.16	59,123.37			(1,692.90)		56,474.26	57,585.06	(154.59)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	01/28/00	01/20/30	16,045.93	16,302.07			(791.49)		15,254.44	15,549.05	(38.47)	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	02/22/00	01/20/30	5,479.64	5,567.09			(28.93)		5,450.71	5,555.96	(17.80)	0.00

Investment Type	Issue	Current interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	1994 A&B SF (1983 Rfdng)	5.45	03/27/00	02/20/30	9,687.87	9,842.46			(72.06)		9,615.81	9,801.46	31.06	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	04/27/00	03/01/30	5,299.15	5,346.77			(33.24)		5,265.91	5,342.82	29.29	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	04/27/00	04/20/30	15,323.69	15,568.25			(2,028.18)		13,295.51	13,552.25	12.18	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	05/30/00	04/20/30	3,172.43	3,223.03			(14.22)		3,158.21	3,219.17	10.36	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	06/21/00	05/20/30	12,545.88	12,746.12			(63.45)		12,482.43	12,723.47	40.80	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	09/18/00	09/20/30	27,504.65	27,943.63			(1,252.83)		26,251.82	26,758.75	67.95	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	07/24/00	06/01/30	5,148.51	5,194.69			(27.62)		5,120.89	5,195.61	28.54	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/30/99	07/20/29	159,665.63	162,290.51			(10,426.08)		149,239.55	152,175.08	310.65	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	08/26/99	08/20/29	122,782.90	124,801.51			(6,006.24)		116,776.66	119,073.71	278.44	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	09/20/99	08/01/29	24,948.41	25,179.92			(157.57)		24,790.84	25,185.50	163.15	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	09/20/99	09/20/29	70,539.39	71,699.04			(6,890.43)		63,648.96	64,900.91	92.30	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	12/20/99	12/01/29	71,752.98	72,419.55			(8,797.98)		62,955.00	63,957.86	336.29	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	01/19/00	12/01/29	43,945.63	44,353.86			(253.98)		43,691.65	44,387.63	287.75	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	10/28/99	10/20/29	232,121.13	235,937.19			(6,796.62)		225,324.51	229,756.64	616.07	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	11/18/99	11/20/29	39,069.89	39,712.19			(5,966.70)		33,103.19	33,754.32	8.83	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	12/30/99	12/30/29	482,770.75	490,707.46			(14,050.55)		468,720.20	477,939.88	1,202.97	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	01/28/00	01/20/30	133,177.08	135,302.62			(6,569.14)		126,607.94	129,052.77	319.29	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	02/22/00	01/20/30	45,479.47	46,205.33			(240.10)		45,239.37	46,112.94	147.71	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	03/27/00	02/20/30	21,920.02	22,137.89			(162.07)		21,757.95	22,045.69	69.87	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	06/22/99	06/20/29	140,271.97	142,578.06			(798.27)		139,473.70	142,217.17	437.38	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/30/99	07/20/29	169,591.33	172,399.76			(7,018.79)		162,572.54	165,790.76	409.79	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	08/26/99	08/20/29	125,006.50	127,061.62			(650.02)		124,356.48	126,802.59	390.99	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	09/20/99	09/20/29	89,662.94	91,136.99			(521.13)		89,141.81	90,895.22	279.36	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	12/21/99	11/01/29	65,545.88	66,154.79			(795.63)		64,750.25	65,781.71	422.55	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	10/29/99	10/20/29	206,393.34	209,786.45			(8,198.02)		198,195.32	202,093.82	505.39	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	11/18/99	11/20/29	210,711.78	214,175.91			(1,154.78)		209,557.00	213,679.00	657.87	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	12/30/99	12/20/29	289,452.01	294,210.61			(2,111.76)		287,340.25	292,992.25	893.40	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	01/28/00	01/20/30	266,456.87	270,709.50			(13,204.91)		253,251.96	258,142.24	637.65	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	02/22/00	01/20/30	150,974.82	153,384.36			(8,484.95)		142,489.87	145,241.33	341.92	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	03/27/00	02/20/30	73,097.13	74,263.50			(9,528.37)		63,568.76	64,796.02	60.89	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	02/23/00	01/01/30	25,933.84	26,174.77			(122.88)		25,810.96	26,222.14	170.25	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/28/00	06/20/30	216,528.31	219,984.10			(10,488.30)		206,040.01	210,018.65	522.85	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	03/27/00	02/20/30	58,486.32	59,551.74			(435.97)		58,050.35	59,303.71	187.94	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	04/27/00	03/01/30	43,981.74	44,376.70			(275.92)		43,705.82	44,343.92	243.14	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	04/27/00	04/20/30	127,182.32	129,212.15			(16,833.30)		110,349.02	112,479.86	101.01	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	05/30/00	04/20/30	26,330.02	26,750.24			(117.99)		26,212.03	26,718.17	85.92	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	06/21/00	05/20/30	104,127.38	105,789.21			(526.68)		103,600.70	105,601.19	338.66	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	09/18/00	09/20/30	228,280.97	231,924.33			(10,398.11)		217,882.86	222,090.18	563.96	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	07/24/00	06/01/30	42,730.77	43,114.49			(229.21)		42,501.56	43,122.09	236.81	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	07/24/00	06/20/30	257,282.55	261,388.80			(14,975.04)		242,307.51	246,986.50	572.74	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	08/28/00	08/20/30	39,631.40	40,263.93			(193.16)		39,438.24	40,199.82	129.05	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	03/27/00	02/20/30	11,006.33	11,182.23			(1,434.73)		9,571.60	9,756.66	9.16	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	04/27/00	03/20/30	101,605.75	103,227.37			(13,916.49)		87,689.26	89,382.54	71.66	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	05/30/00	05/20/30	100,250.61	101,850.63			(1,484.32)		98,766.29	100,673.49	307.18	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	06/21/00	06/20/30	172,010.63	174,755.93			(780.88)		171,229.75	174,536.21	561.16	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	05/31/00	05/01/30	39,028.81	39,379.30			(197.53)		38,831.28	39,398.23	216.46	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	10/23/00	09/20/30	35,654.76	36,223.81			(151.74)		35,503.02	36,188.58	116.51	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	10/30/00	10/20/30	46,521.51	47,263.93			(236.92)		46,284.59	47,178.29	151.28	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	07/24/00	06/01/30	93,411.82	94,250.61			(530.67)		92,881.15	94,237.18	517.24	0.00
GNMA	1994 A&B SF (1983 Rfdng)	5.45	12/21/00	05/20/30	16,060.81	16,317.17			(78.48)		15,982.33	16,290.98	52.29	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	10/06/00	09/01/30	44,617.82	45,018.51			(250.58)		44,367.24	45,015.02	247.09	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	10/30/00	08/01/30	48,897.91	49,337.02			(286.94)		48,610.97	49,320.70	270.82	0.00
FNMA	1994 A&B SF (1983 Rfdng)	5.45	02/12/01	02/01/30	16,643.60	16,798.24			(79.27)		16,564.33	16,828.22	109.26	0.00
1994 A&B SF (1983 Rfdng) Total					9,583,351.79	9,749,148.01	109,126.81	(17,517.14)	(317,545.30)	0.00	9,357,416.16	9,527,252.06	4,039.68	
Repo Agmt	1995 C SF (1985 A&B Rfdng)	3.03	05/31/05	06/01/05	1,011,907.59	1,011,907.59					1.12	1.12	-	(0.00)
GICs	1995 C SF (1985 A&B Rfdng)	6.08	11/14/96	09/30/29			99,876.29				99,876.29	99,876.29	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	1995 C SF (1985 A&B Rfdng)	3.03	05/31/05	06/01/05	7,606.27	7,606.27		(7,605.09)			1.18	1.18	-	0.00
GlCs	1995 C SF (1985 A&B Rfdng)	6.08	11/14/96	09/30/29			145.00				145.00	145.00	-	0.00
	1995 C SF (1985 A&B Rfdng) Total				1,019,513.86	1,019,513.86	100,021.29	(1,019,511.56)	0.00	0.00	100,023.59	100,023.59	0.00	
Repo Agmt	2005A Single Family	3.03	05/31/05	06/01/05			918.75				918.75	918.75	-	0.00
Inv Agmt	2005A Single Family	3.50	05/13/05	09/01/06			750,454.62				750,454.62	750,454.62	-	0.00
Repo Agmt	2005A Single Family	3.03	05/31/05	06/01/05			121,959.51				121,959.51	121,959.51	-	0.00
Inv Agmt	2005A Single Family	3.35	05/13/05	09/01/06			99,628,540.90				99,628,540.90	99,628,540.90	-	0.00
Repo Agmt	2005A Single Family	3.03	05/31/05	06/01/05			94,114.31				94,114.31	94,114.31	-	0.00
	2005A Single Family Total				0.00	0.00	100,595,988.09	0.00	0.00	0.00	100,595,988.09	100,595,988.09	0.00	
Total Single Family Investment Summary					666,304,799.18	670,300,412.32	252,170,445.86	(183,561,564.63)	(9,316,556.86)	0.00	725,597,123.55	729,946,807.22	354,070.53	0.00

**Texas Department of Housing and Community Affairs
Residential Mortgage Revenue Bonds Investment Summary
For Period Ending May 31, 2005**

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	1989 A&B RMRB	3.03	05/31/05	06/01/05	19,680.01	19,680.01	9,190.81				26,870.62	26,870.62	-	0.00
Repo Agmt	1989 A&B RMRB	3.03	05/31/05	06/01/05	1,297,393.66	1,297,393.66		(26,993.00)			1,270,400.66	1,270,400.66	-	0.00
Repo Agmt	1989 A&B RMRB	3.03	05/31/05	06/01/05	19,795.48	19,795.48	140.28				19,935.76	19,935.76	-	0.00
1989 A&B RMRB Total					1,336,869.15	1,336,869.15	9,331.09	(26,993.00)	0.00	0.00	1,319,207.24	1,319,207.24	0.00	0.00
Repo Agmt	1998 A/B RMRB	3.03	05/31/05	06/01/05	82,334.53	82,334.53					51,594.20	51,594.20	-	0.00
GICs	1998 A/B RMRB	5.04	12/03/98	01/01/31	8,750,428.46	8,750,428.46	4,398,196.41	(30,740.33)			13,148,624.87	13,148,624.87	-	0.00
GICs	1998 A/B RMRB	5.04	12/03/98	01/01/31	288,171.85	288,171.85	0.00				288,171.85	288,171.85	-	0.00
GNMA	1998 A/B RMRB	5.35	07/28/00	07/20/30	1,829,568.57	1,851,486.78			(8,491.62)		1,821,076.95	1,848,028.87	5,033.71	0.00
GNMA	1998 A/B RMRB	5.35	08/28/00	07/20/30	3,098,319.88	3,135,437.76			(119,883.41)		2,978,436.47	3,022,517.34	6,962.99	0.00
FNMA	1998 A/B RMRB	5.35	05/25/99	04/01/29	403,145.50	405,298.30			(2,359.13)		400,786.37	405,343.31	2,404.14	0.00
GNMA	1998 A/B RMRB	5.35	04/16/99	04/20/29	1,208,399.55	1,223,444.11			(6,317.60)		1,202,081.95	1,220,329.54	3,203.03	0.00
FNMA	1998 A/B RMRB	5.35	06/22/99	05/01/29	235,719.02	236,977.72			(1,726.29)		233,992.73	236,653.19	1,401.76	0.00
GNMA	1998 A/B RMRB	5.35	05/25/99	05/20/29	3,908,292.35	3,956,950.58			(154,116.29)		3,754,176.06	3,811,164.44	8,330.15	0.00
GNMA	1998 A/B RMRB	5.35	06/22/99	06/20/29	5,467,970.10	5,536,046.26			(186,764.06)		5,281,206.04	5,361,374.69	12,092.49	0.00
FNMA	1998 A/B RMRB	5.35	07/30/99	07/01/29	153,515.64	154,335.39			(77,085.17)		76,430.47	77,299.46	49.24	0.00
FNMA	1998 A/B RMRB	5.35	08/24/99	08/01/29	147,817.89	148,607.24			(1,158.72)		146,659.17	148,326.68	878.16	0.00
GNMA	1998 A/B RMRB	5.35	07/30/99	07/20/29	4,460,146.77	4,515,675.58			(286,665.52)		4,173,481.25	4,236,834.67	7,824.61	0.00
GNMA	1998 A/B RMRB	5.35	08/26/99	08/20/29	3,320,783.81	3,362,127.62			(99,796.33)		3,220,987.48	3,269,882.13	7,550.84	0.00
FNMA	1998 A/B RMRB	5.35	09/30/99	08/01/29	246,696.70	248,014.06			(1,177.95)		245,518.75	248,310.30	1,474.19	0.00
GNMA	1998 A/B RMRB	5.35	09/20/99	09/20/29	2,969,414.76	3,006,383.99			(109,296.72)		2,860,118.04	2,903,534.64	6,447.37	0.00
FNMA	1998 A/B RMRB	5.35	10/29/99	10/01/29	555,817.47	558,785.55			(31,610.60)		524,206.87	530,167.12	2,992.17	0.00
FNMA	1998 A/B RMRB	5.35	11/16/99	10/01/29	383,085.95	385,131.63			(4,662.02)		378,423.93	382,726.61	2,257.00	0.00
FNMA	1998 A/B RMRB	5.35	12/21/99	11/01/29	647,677.73	651,136.31			(4,932.54)		642,745.19	650,053.18	3,849.41	0.00
GNMA	1998 A/B RMRB	5.35	10/29/99	10/20/29	4,406,933.06	4,461,799.36			(148,358.67)		4,258,574.39	4,323,219.54	9,778.85	0.00
GNMA	1998 A/B RMRB	5.35	11/18/99	11/20/29	4,208,145.59	4,260,537.01			(257,694.98)		3,950,450.61	4,010,418.47	7,576.44	0.00
GNMA	1998 A/B RMRB	5.35	12/30/99	12/20/29	6,902,287.73	6,988,221.20			(312,090.48)		6,590,197.25	6,690,236.41	14,105.69	0.00
GNMA	1998 A/B RMRB	5.35	01/28/00	01/20/30	3,207,885.95	3,246,316.42			(187,869.38)		3,020,016.57	3,064,712.81	6,265.77	0.00
GNMA	1998 A/B RMRB	5.35	02/22/00	01/20/30	3,652,503.65	3,696,260.64			(146,199.34)		3,506,304.31	3,558,197.61	8,136.31	0.00
FNMA	1998 A/B RMRB	5.35	03/27/00	03/20/30	2,052,672.76	2,077,263.78			(153,769.35)		1,898,903.41	1,927,007.18	3,512.75	0.00
FNMA	1998 A/B RMRB	5.35	02/23/00	01/01/30	621,849.95	625,170.59			(4,121.07)		617,728.88	624,752.42	3,702.90	0.00
FNMA	1998 A/B RMRB	5.35	03/27/00	02/01/30	318,420.44	320,012.54			(13,053.65)		305,366.79	308,447.94	1,489.05	0.00
FNMA	1998 A/B RMRB	5.35	04/21/00	04/01/30	320,804.55	322,408.57			(1,628.88)		319,175.67	322,396.15	1,616.46	0.00
GNMA	1998 A/B RMRB	5.35	04/24/00	04/20/30	2,731,788.13	2,764,514.97			(128,630.50)		2,603,157.63	2,641,684.38	5,799.91	0.00
GNMA	1998 A/B RMRB	5.35	05/30/00	05/20/30	2,025,670.06	2,049,937.58			(16,086.64)		2,009,583.42	2,039,325.24	5,474.30	0.00
GNMA	1998 A/B RMRB	5.35	06/21/00	06/20/30	1,527,958.50	1,546,263.49			(12,346.48)		1,515,612.02	1,538,043.12	4,126.11	0.00
FNMA	1998 A/B RMRB	5.35	05/30/00	05/01/30	499,254.63	501,750.91			(3,897.94)		495,356.69	500,354.85	2,501.88	0.00
FNMA	1998 A/B RMRB	5.35	06/21/00	06/01/30	297,275.45	298,761.83			(4,497.93)		292,777.52	295,731.65	1,467.75	0.00
GNMA	1998 A/B RMRB	5.35	10/23/00	09/20/30	2,256,555.87	2,283,589.41			(124,574.93)		2,131,980.94	2,163,534.26	4,519.78	0.00
GNMA	1998 A/B RMRB	5.35	10/25/00	10/20/30	558,617.79	565,310.05			(59,277.34)		499,340.45	506,730.71	698.00	0.00
FNMA	1998 A/B RMRB	5.35	07/24/00	06/01/30	422,433.73	424,545.90			(2,487.44)		419,946.29	424,183.55	2,125.09	0.00
FNMA	1998 A/B RMRB	5.35	08/25/00	07/01/30	217,004.46	218,089.48			(1,479.04)		215,525.42	217,700.07	1,089.63	0.00
GNMA	1998 A/B RMRB	5.35	01/08/01	12/20/30	439,243.20	444,505.34			(4,181.28)		435,061.92	441,500.84	1,176.78	0.00
GNMA	1998 A/B RMRB	5.35	01/16/01	12/20/30	276,075.91	279,383.30			(1,874.38)		274,201.53	278,259.71	750.79	0.00
GNMA	1998 A/B RMRB	5.35	01/31/01	08/20/30	117,928.04	119,340.77			(1,122.44)		116,805.60	118,534.28	315.95	0.00
GNMA	1998 A/B RMRB	5.35	11/16/00	11/20/30	511,440.60	517,587.66			(5,121.78)		506,318.82	513,812.34	1,366.46	0.00
GNMA	1998 A/B RMRB	5.35	11/29/00	11/20/30	919,979.33	931,000.67			(141,348.42)		778,630.91	790,154.63	502.38	0.00
GNMA	1998 A/B RMRB	5.35	12/21/00	11/20/30	177,315.33	179,439.57			(2,346.62)		174,968.71	177,558.25	465.30	0.00
GNMA	1998 A/B RMRB	5.35	12/27/00	12/20/30	305,230.37	308,887.03			(1,301.69)		303,928.68	308,426.82	841.48	0.00
FNMA	1998 A/B RMRB	5.35	10/06/00	09/01/30	454,783.81	457,057.71			(2,488.23)		452,295.58	456,859.22	2,289.74	0.00
FNMA	1998 A/B RMRB	5.35	01/12/01	12/01/30	596,460.52	599,442.80			(3,129.04)		593,331.48	599,318.18	3,004.42	0.00
Repo Agmt	1998 A/B RMRB	3.03	05/31/05	06/01/05	1,287,897.15	1,287,897.15	0.00				1,287,897.15	1,287,897.15	-	0.00
Repo Agmt	1998 A/B RMRB	3.03	05/31/05	06/01/05	186.11	186.11	0.00				186.11	186.11	-	0.00
1998 A/B RMRB Total					79,471,909.20	80,272,235.56	4,398,196.41	(30,740.33)	(2,837,021.89)	0.00	81,002,343.39	81,970,120.98	167,451.23	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	1,644,162.93	1,644,162.93	11,654.64				1,655,817.57	1,655,817.57	-	0.00
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	536,623.07	536,623.07	5,106.33				541,729.40	541,729.40	-	0.00
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	47,545.53	47,545.53	48,946.09				96,491.62	96,491.62	-	0.00
Inv Agmt	2000 BCDE RMRB	6.22	10/26/00	12/31/32	5,104,106.17	5,104,106.17	3,556,457.91				8,660,564.08	8,660,564.08	-	0.00
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	0.09	0.09	0.00				0.09	0.09	-	0.00
Inv Agmt	2000 BCDE RMRB	2.48	02/01/05	01/31/06	410,420.46	410,420.46					402,407.03	402,407.03	-	0.00
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	1,228.19	1,228.19	0.00	(8,013.43)			1,228.19	1,228.19	-	0.00
GNMA	2000 BCDE RMRB	6.10	02/22/01	02/20/31	1,156,417.95	1,204,533.79			(4,949.65)		1,151,468.30	1,194,194.99	(5,389.15)	0.00
GNMA	2000 BCDE RMRB	6.10	02/14/01	02/20/31	234,626.85	244,389.10			(1,087.81)		233,539.04	242,204.77	(1,096.52)	0.00
GNMA	2000 BCDE RMRB	6.10	02/14/01	01/20/31	121,035.13	126,071.13			(448.77)		120,586.36	125,060.88	(561.48)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	319,942.32	333,254.38			(69,587.83)		250,354.49	259,644.24	(4,022.31)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	1,534,792.81	1,598,651.91			(6,884.77)		1,527,908.04	1,584,602.99	(7,164.15)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	98,871.48	102,985.27			(491.78)		98,379.70	102,030.18	(463.31)	0.00
GNMA	2000 BCDE RMRB	6.10	03/15/01	03/20/31	367,343.85	382,628.14			(1,418.95)		365,924.90	379,502.98	(1,706.21)	0.00
GNMA	2000 BCDE RMRB	6.10	03/15/01	03/20/31	969,771.67	1,010,121.57			(47,921.31)		921,850.36	956,056.76	(6,143.50)	0.00
GNMA	2000 BCDE RMRB	6.10	03/29/01	03/20/31	74,417.69	77,514.01			(334.93)		74,082.76	76,831.67	(347.41)	0.00
GNMA	2000 BCDE RMRB	6.10	03/29/01	03/20/31	421,597.16	439,138.82			(1,766.06)		419,831.10	435,409.46	(1,963.30)	0.00
GNMA	2000 BCDE RMRB	6.10	04/16/01	03/20/31	261,855.67	272,750.86			(978.83)		260,876.84	270,556.99	(1,215.04)	0.00
GNMA	2000 BCDE RMRB	6.10	04/16/01	04/20/31	1,212,983.17	1,263,452.58			(4,622.15)		1,208,361.02	1,253,198.83	(5,631.60)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	656,872.52	684,203.43			(4,512.81)		652,359.71	676,566.33	(3,124.29)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	1,196,952.85	1,246,755.25			(50,120.27)		1,146,832.58	1,189,387.28	(7,247.70)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	99,122.95	103,247.23			(360.70)		98,762.25	102,426.96	(459.57)	0.00
GNMA	2000 BCDE RMRB	6.10	05/10/01	05/20/31	223,366.50	232,660.25			(47,467.81)		175,898.69	182,425.62	(2,766.82)	0.00
GNMA	2000 BCDE RMRB	6.10	05/10/01	05/20/31	688,704.06	717,359.44			(83,762.71)		604,941.35	627,388.49	(6,208.24)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	04/20/31	205,562.71	214,115.68			(862.06)		204,700.65	212,296.32	(857.30)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	04/20/31	1,507,549.09	1,570,274.66			(92,156.23)		1,415,392.86	1,467,912.81	(10,205.62)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	05/20/31	235,790.21	245,600.89			(59,015.74)		176,774.47	183,333.92	(3,251.23)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	251,968.48	262,452.29			(920.01)		251,048.47	260,363.94	(1,168.34)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	538,138.14	560,528.79			(2,479.52)		535,658.62	555,534.90	(2,514.37)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	49,432.25	51,489.00			(178.83)		49,253.42	51,081.03	(229.14)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	535,465.26	557,744.63			(3,255.68)		532,209.58	551,957.82	(2,531.13)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	1,472,029.85	1,533,277.53			(7,024.79)		1,465,005.06	1,519,365.92	(6,886.82)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	85,449.91	89,005.30			(472.48)		84,977.43	88,130.65	(402.87)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	343,548.85	357,843.14			(1,343.53)		342,205.32	354,903.30	(1,596.31)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	1,441,452.87	1,501,428.33			(70,481.28)		1,370,971.59	1,421,843.22	(9,103.83)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	335,387.44	349,342.13			(2,086.29)		333,301.15	345,668.72	(1,587.72)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	06/20/31	506,836.26	527,924.54			(2,156.46)		504,679.80	523,406.60	(2,361.48)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	07/20/31	1,366,463.60	1,423,318.90			(144,369.29)		1,222,094.31	1,267,441.64	(11,507.97)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	06/20/31	154,590.21	161,022.32			(1,351.80)		153,238.41	158,924.49	(746.03)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	07/20/31	238,094.57	248,001.11			(968.92)		237,125.65	245,924.48	(1,107.71)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	08/20/31	2,030,845.85	2,115,344.55			(186,168.01)		1,844,677.84	1,913,126.94	(16,049.60)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	07/20/31	234,744.82	244,511.98			(1,283.34)		233,461.48	242,124.35	(1,104.29)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	08/20/31	457,342.31	476,371.27			(2,098.91)		455,243.40	472,135.80	(2,136.56)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	08/20/31	1,340,671.02	1,396,453.18			(137,645.59)		1,203,025.43	1,247,665.22	(11,142.37)	0.00
GNMA	2000 BCDE RMRB	6.10	09/31/01	08/20/31	359,253.19	374,200.87			(70,269.30)		288,983.89	299,707.01	(4,224.56)	0.00
GNMA	2000 BCDE RMRB	6.10	02/14/01	02/01/31	310,187.57	322,476.64			(3,130.90)		307,056.67	317,987.61	(1,358.13)	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	10/20/31	290,849.67	302,951.25			(1,032.68)		289,816.99	300,571.03	(1,347.54)	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	10/20/31	285,762.64	297,652.54			(2,137.80)		283,624.84	294,149.09	(1,365.65)	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	11/20/31	267,010.24	278,119.91			(1,009.85)		266,000.39	275,870.67	(1,239.39)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	08/20/31	419,484.16	436,937.91			(1,703.32)		417,780.84	433,283.12	(1,951.47)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	09/20/31	1,645,267.90	1,713,723.59			(148,986.36)		1,496,281.54	1,551,802.94	(12,934.29)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	08/20/31	344,126.62	358,444.91			(1,622.48)		342,504.14	355,213.19	(1,609.24)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	395,381.63	411,832.55			(4,505.62)		390,876.01	405,379.98	(1,946.95)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	997,963.54	1,039,486.43			(4,311.11)		993,652.43	1,030,523.14	(4,652.18)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	206,897.40	215,505.90			(801.84)		206,095.56	213,742.98	(961.08)	0.00
GNMA	2000 BCDE RMRB	6.10	11/15/01	08/20/31	97,215.35	101,260.25			(341.69)		96,873.66	100,468.28	(450.28)	0.00
GNMA	2000 BCDE RMRB	6.10	11/15/01	10/20/31	284,429.44	296,263.88			(72,543.70)		211,885.74	219,748.02	(3,972.16)	0.00
GNMA	2000 BCDE RMRB	6.10	03/15/01	02/01/31	361,978.16	376,319.10			(1,434.11)		360,544.05	373,379.11	(1,505.88)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	6.10	01/22/02	12/20/31	210,059.06	218,799.11			(786.98)		209,272.08	217,037.38	(974.75)	0.00
FNMA	2000 BCDE RMRB	6.10	05/10/01	04/01/31	418,559.78	435,142.36			(33,426.68)		385,133.10	398,843.48	(2,872.20)	0.00
GNMA	2000 BCDE RMRB	6.10	02/25/02	02/20/32	454,494.76	473,313.85			(2,280.52)		452,214.24	468,798.81	(2,234.52)	0.00
FNMA	2000 BCDE RMRB	6.10	05/30/01	04/01/31	237,157.20	246,552.96			(884.36)		236,272.84	244,683.96	(984.64)	0.00
GNMA	2000 BCDE RMRB	6.10	07/12/01	05/01/31	318,491.97	331,110.07			(1,266.00)		317,225.97	328,518.94	(1,325.13)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	05/20/32	690,220.73	718,800.46			(67,599.90)		622,620.83	645,454.92	(5,745.64)	0.00
GNMA	2000 BCDE RMRB	6.10	05/24/02	05/20/32	114,375.85	119,111.79			(396.68)		113,979.17	118,159.28	(555.83)	0.00
GNMA	2000 BCDE RMRB	6.10	03/21/02	02/20/32	319,009.04	332,218.12			(1,492.83)		317,516.21	329,160.84	(1,564.45)	0.00
GNMA	2000 BCDE RMRB	6.10	04/17/02	04/20/32	269,800.93	280,972.48			(1,003.06)		268,797.87	278,655.81	(1,313.61)	0.00
GNMA	2000 BCDE RMRB	6.10	04/29/02	04/20/32	478,510.73	498,324.24			(2,607.73)		475,903.00	493,356.34	(2,360.17)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	05/20/32	310,542.77	323,401.30			(1,109.87)		309,432.90	320,781.09	(1,510.34)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	02/20/32	45,765.54	47,660.54			(156.68)		45,608.86	47,281.52	(222.34)	0.00
GNMA	2000 BCDE RMRB	6.10	08/29/02	08/20/32	1,319,249.39	1,373,875.13			(57,607.66)		1,261,641.73	1,307,911.44	(8,356.03)	0.00
GNMA	2000 BCDE RMRB	6.10	06/03/02	05/20/32	608,176.52	633,359.07			(2,583.82)		605,592.70	627,802.33	(2,972.92)	0.00
GNMA	2000 BCDE RMRB	6.10	06/10/02	06/20/32	624,376.03	650,229.33			(2,436.07)		621,939.96	644,749.08	(3,044.18)	0.00
GNMA	2000 BCDE RMRB	6.10	06/19/02	06/20/32	672,689.99	700,543.85			(2,609.21)		670,080.78	694,655.47	(3,279.17)	0.00
GNMA	2000 BCDE RMRB	6.10	06/25/02	06/20/32	505,194.42	526,112.84			(2,139.67)		503,054.75	521,503.89	(2,469.28)	0.00
GNMA	2000 BCDE RMRB	6.10	07/05/02	06/20/32	1,209,575.60	1,259,660.11			(4,401.92)		1,205,173.68	1,249,372.46	(5,885.73)	0.00
GNMA	2000 BCDE RMRB	6.10	07/15/02	07/20/32	267,031.16	278,088.04			(96,018.22)		171,012.94	177,284.70	(4,785.12)	0.00
GNMA	2000 BCDE RMRB	6.10	07/22/02	07/20/32	799,724.96	832,838.90			(3,037.57)		796,687.39	825,905.24	(3,896.09)	0.00
GNMA	2000 BCDE RMRB	6.10	07/29/02	07/20/32	324,963.11	338,418.76			(1,092.60)		323,870.51	335,748.20	(1,577.96)	0.00
GNMA	2000 BCDE RMRB	6.10	08/10/02	07/20/32	349,021.51	363,473.33			(1,173.89)		347,847.62	360,604.64	(1,894.80)	0.00
GNMA	2000 BCDE RMRB	6.10	08/12/02	08/20/32	1,810,423.14	1,885,386.74			(12,682.86)		1,697,740.28	1,760,003.53	(12,700.35)	0.00
GNMA	2000 BCDE RMRB	6.10	08/23/02	08/20/32	1,759,188.81	1,832,030.98			(6,614.14)		1,752,574.67	1,816,848.93	(8,567.91)	0.00
GNMA	2000 BCDE RMRB	6.10	11/12/02	10/20/32	735,880.59	766,350.98			(83,003.83)		652,876.76	676,820.52	(6,526.63)	0.00
GNMA	2000 BCDE RMRB	6.10	09/12/02	08/20/32	925,403.51	963,721.39			(3,386.06)		922,017.45	955,831.69	(4,503.64)	0.00
GNMA	2000 BCDE RMRB	6.10	09/19/02	09/20/32	470,480.97	489,962.06			(1,873.79)		468,607.18	485,793.00	(2,295.27)	0.00
GNMA	2000 BCDE RMRB	6.10	09/26/02	09/20/32	1,560,900.84	1,625,532.60			(6,534.49)		1,554,366.35	1,611,371.55	(7,626.56)	0.00
GNMA	2000 BCDE RMRB	6.10	10/10/02	10/20/32	1,442,533.56	1,502,264.09			(6,652.57)		1,435,880.99	1,488,540.79	(7,070.73)	0.00
GNMA	2000 BCDE RMRB	6.10	10/21/02	10/20/32	914,889.54	952,772.08			(4,226.69)		910,662.85	944,060.68	(4,484.71)	0.00
FNMA	2000 BCDE RMRB	6.10	10/29/02	11/20/32	846,112.47	872,865.83			(4,513.50)		841,598.97	865,129.09	(3,223.24)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	06/01/31	614,198.76	638,532.19			(3,536.27)		610,662.49	632,401.51	(2,594.41)	0.00
GNMA	2000 BCDE RMRB	6.10	11/05/02	10/20/32	622,189.51	647,952.30			(2,186.43)		620,003.08	642,741.18	(3,024.69)	0.00
GNMA	2000 BCDE RMRB	6.10	11/19/02	11/20/32	74,509.26	77,594.43			(247.17)		74,262.09	76,985.59	(361.67)	0.00
GNMA	2000 BCDE RMRB	6.10	11/26/02	11/20/32	281,909.05	293,581.99			(1,380.11)		280,528.94	290,817.13	(1,384.75)	0.00
GNMA	2000 BCDE RMRB	6.10	11/26/02	11/20/32	162,928.05	169,674.36			(566.91)		162,361.14	168,315.60	(791.85)	0.00
GNMA	2000 BCDE RMRB	6.10	12/12/02	11/20/32	125,602.33	130,803.10			(783.31)		124,819.02	129,396.65	(623.14)	0.00
GNMA	2000 BCDE RMRB	6.10	12/19/02	06/20/32	65,952.65	68,683.53			(229.19)		65,723.46	68,133.82	(320.52)	0.00
GNMA	2000 BCDE RMRB	6.10	12/30/02	09/20/32	91,631.69	95,425.86			(600.40)		91,031.29	94,369.80	(455.66)	0.00
GNMA	2000 BCDE RMRB	6.10	12/30/02	11/20/32	35,511.24	36,981.64			(123.14)		35,388.10	36,685.92	(172.58)	0.00
GNMA	2000 BCDE RMRB	6.10	01/07/03	12/20/32	130,668.46	136,079.01			(903.67)		129,764.79	134,523.81	(651.53)	0.00
GNMA	2000 BCDE RMRB	6.10	01/23/03	01/20/33	30,372.96	31,686.45			(3,509.28)		26,863.68	27,868.60	(308.57)	0.00
GNMA	2000 BCDE RMRB	6.10	01/23/03	01/20/33	396,672.71	413,827.00			(1,610.65)		395,062.06	409,840.43	(2,375.92)	0.00
FNMA	2000 BCDE RMRB	6.10	02/12/03	02/20/33	245,397.28	256,009.58			(1,022.82)		244,374.46	253,515.93	(1,470.83)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/01/31	352,562.90	366,644.17			(2,332.47)		350,230.43	362,835.56	(1,476.14)	0.00
GNMA	2000 BCDE RMRB	6.10	02/20/03	02/20/33	419,199.96	437,328.41			(1,459.60)		417,740.36	433,367.04	(2,501.77)	0.00
GNMA	2000 BCDE RMRB	6.10	02/27/03	02/20/33	105,508.61	110,071.38			(342.93)		105,165.68	109,099.68	(628.77)	0.00
GNMA	2000 BCDE RMRB	6.10	03/24/03	03/20/33	196,103.84	204,584.42			(1,653.36)		194,450.48	201,724.42	(1,206.64)	0.00
GNMA	2000 BCDE RMRB	6.10	04/02/03	03/20/33	152,911.13	159,523.84			(479.28)		152,431.85	158,133.98	(910.58)	0.00
GNMA	2000 BCDE RMRB	6.10	04/10/03	04/20/33	89,867.06	92,710.16			(340.43)		88,526.63	91,838.22	(531.51)	0.00
GNMA	2000 BCDE RMRB	6.10	04/17/03	04/20/33	204,842.36	213,700.86			(804.62)		204,037.74	211,670.33	(1,225.91)	0.00
GNMA	2000 BCDE RMRB	6.10	04/24/03	04/20/33	27,937.81	29,146.00			(109.87)		27,827.94	28,868.93	(167.20)	0.00
GNMA	2000 BCDE RMRB	6.10	04/29/03	04/20/33	343,387.72	358,237.68			(1,087.63)		342,300.09	355,104.76	(2,045.29)	0.00
GNMA	2000 BCDE RMRB	6.10	05/08/03	04/20/33	131,704.04	137,399.64			(434.99)		131,269.05	136,179.52	(785.13)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/03	04/20/33	73,692.25	76,879.09			(227.05)		73,465.20	76,213.36	(438.68)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/03	05/20/33	151,196.63	157,735.19			(490.66)		150,705.97	156,343.52	(801.01)	0.00
GNMA	2000 BCDE RMRB	6.10	05/29/03	04/20/33	104,596.10	109,119.43			(324.52)		104,271.58	108,172.17	(622.74)	0.00
GNMA	2000 BCDE RMRB	6.10	06/10/03	05/20/33	137,982.56	143,949.68			(552.83)		137,429.73	142,570.67	(826.18)	0.00
GNMA	2000 BCDE RMRB	6.10	06/19/03	06/20/33	201,091.10	209,787.35			(722.75)		200,368.35	207,863.64	(1,200.96)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	6.10	06/19/03	06/20/33	61,954.09	64,633.32			(194.90)		61,759.19	64,069.46	(368.96)	0.00
GNMA	2000 BCDE RMRB	6.10	06/26/03	06/20/33	163,189.85	170,247.05			(502.64)		162,687.21	168,772.95	(971.48)	0.00
GNMA	2000 BCDE RMRB	6.10	07/03/03	07/20/33	74,193.32	77,401.84			(224.86)		73,968.46	76,735.44	(441.54)	0.00
GNMA	2000 BCDE RMRB	6.10	07/10/03	07/20/33	548,475.99	572,195.06			(1,699.04)		546,776.95	567,230.60	(3,265.42)	0.00
GNMA	2000 BCDE RMRB	6.10	07/17/03	07/20/33	296,846.78	309,684.03			(925.05)		295,921.73	306,991.47	(1,767.51)	0.00
GNMA	2000 BCDE RMRB	6.10	07/24/03	07/20/33	50,111.37	52,278.45			(151.41)		49,959.96	51,828.84	(298.20)	0.00
GNMA	2000 BCDE RMRB	6.10	07/30/03	07/20/33	390,595.20	407,486.65			(1,494.63)		389,100.57	403,655.91	(2,396.11)	0.00
GNMA	2000 BCDE RMRB	6.10	08/07/03	08/20/33	232,265.89	242,310.32			(721.36)		231,544.53	240,206.07	(1,382.89)	0.00
GNMA	2000 BCDE RMRB	6.10	08/14/03	08/20/33	240,438.49	250,836.36			(724.48)		239,714.01	248,681.16	(1,430.72)	0.00
FNMA	2000 BCDE RMRB	6.10	12/27/01	10/01/31	233,650.91	242,907.74			(1,126.77)		232,524.14	240,801.78	(979.19)	0.00
GNMA	2000 BCDE RMRB	6.10	08/21/03	08/20/33	213,298.19	222,522.35			(648.96)		212,649.23	220,603.93	(1,269.46)	0.00
GNMA	2000 BCDE RMRB	6.10	08/28/03	08/20/33	349,614.21	364,733.44			(1,321.17)		348,293.04	361,321.89	(2,090.38)	0.00
GNMA	2000 BCDE RMRB	6.10	09/04/03	08/20/33	162,627.52	169,660.41			(599.55)		162,027.97	168,089.06	(971.80)	0.00
GNMA	2000 BCDE RMRB	6.10	09/18/03	09/20/33	510,935.87	533,031.50			(1,656.14)		509,279.73	528,330.69	(3,044.67)	0.00
GNMA	2000 BCDE RMRB	6.10	09/18/03	08/20/33	83,390.02	86,996.25			(251.65)		83,138.37	86,248.38	(495.22)	0.00
GNMA	2000 BCDE RMRB	6.10	09/29/03	09/20/33	437,479.09	456,398.06			(67,032.34)		370,446.75	384,304.32	(5,061.40)	0.00
GNMA	2000 BCDE RMRB	6.10	10/09/03	09/20/33	330,000.53	344,271.55			(1,103.44)		328,897.09	341,200.38	(1,967.73)	0.00
GNMA	2000 BCDE RMRB	6.10	10/16/03	09/20/33	90,569.92	94,486.64			(271.27)		90,298.65	93,676.51	(538.86)	0.00
GNMA	2000 BCDE RMRB	5.40	10/23/03	10/20/33	242,454.15	246,671.05			(867.87)		241,586.28	246,562.70	(749.52)	0.00
GNMA	2000 BCDE RMRB	6.10	10/23/03	10/20/33	249,021.08	259,790.09			(780.38)		248,240.70	257,526.81	(1,482.90)	0.00
GNMA	2000 BCDE RMRB	5.40	10/30/03	10/20/33	155,405.64	158,108.56			(532.21)		154,873.43	158,057.28	(480.93)	0.00
GNMA	2000 BCDE RMRB	6.10	10/30/03	08/20/33	59,734.14	62,317.36			(195.12)		59,539.02	61,766.23	(356.01)	0.00
GNMA	2000 BCDE RMRB	5.40	11/13/03	11/20/33	543,535.10	552,988.58			(2,556.72)		540,978.38	552,099.61	(1,667.75)	0.00
GNMA	2000 BCDE RMRB	6.10	11/13/03	11/20/33	141,100.36	147,202.31			(432.76)		140,667.60	145,929.66	(839.89)	0.00
GNMA	2000 BCDE RMRB	5.40	11/20/03	11/20/33	512,052.45	520,958.38			(1,885.18)		510,167.27	520,655.11	(1,581.91)	0.00
GNMA	2000 BCDE RMRB	6.10	11/20/03	10/20/33	48,524.46	50,622.93			(144.08)		48,380.38	50,190.18	(288.67)	0.00
GNMA	2000 BCDE RMRB	5.40	11/26/03	11/20/33	335,091.37	340,919.48			(1,207.78)		333,883.59	340,747.44	(1,035.74)	0.00
GNMA	2000 BCDE RMRB	5.40	12/04/03	11/20/33	419,124.60	426,414.29			(1,431.44)		417,693.16	426,279.96	(1,297.11)	0.00
GNMA	2000 BCDE RMRB	5.40	12/11/03	12/20/33	365,251.42	371,604.09			(1,223.88)		364,027.54	371,511.08	(1,130.87)	0.00
GNMA	2000 BCDE RMRB	5.40	12/18/03	12/20/33	998,367.10	1,015,731.30			(5,965.70)		992,401.40	1,012,802.83	(3,037.23)	0.00
GNMA	2000 BCDE RMRB	5.40	12/23/03	12/20/33	1,015,860.16	1,033,528.64			(42,889.09)		972,971.07	992,973.08	(2,333.53)	0.00
GNMA	2000 BCDE RMRB	5.40	01/08/04	01/20/34	202,262.27	205,729.34			(67,975.37)		134,286.90	137,025.94	(728.03)	0.00
GNMA	2000 BCDE RMRB	5.40	01/15/04	01/20/34	1,264,910.76	1,286,593.11			(5,761.74)		1,259,149.02	1,284,831.72	(4,000.35)	0.00
GNMA	2000 BCDE RMRB	5.40	01/22/04	01/20/34	297,086.22	301,441.43			(990.24)		296,095.98	301,394.66	(943.47)	0.00
GNMA	2000 BCDE RMRB	5.40	01/29/04	01/20/34	51,220.92	52,098.93			(199.70)		51,021.22	52,061.90	(162.67)	0.00
GNMA	2000 BCDE RMRB	6.10	02/02/04	12/20/33	115,535.15	120,531.52			(366.48)		115,168.67	119,476.87	(688.17)	0.00
GNMA	2000 BCDE RMRB	5.75	03/25/04	03/20/34	40,407.61	41,627.28			(123.77)		40,283.84	41,424.08	(79.43)	0.00
GNMA	2000 BCDE RMRB	5.75	03/30/04	03/20/34	166,226.60	171,243.87			(532.77)		165,693.83	170,383.69	(327.41)	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	761,096.31	784,068.76			(2,912.75)		758,183.56	779,643.53	(1,512.48)	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	260,258.34	268,113.82			(1,535.22)		258,723.12	266,046.14	(532.46)	0.00
GNMA	2000 BCDE RMRB	5.75	04/08/04	04/20/34	218,511.08	225,106.49			(806.19)		217,704.89	223,866.92	(433.38)	0.00
GNMA	2000 BCDE RMRB	5.75	04/15/04	04/20/34	294,716.07	303,611.60			(1,528.87)		293,187.20	301,485.71	(597.02)	0.00
GNMA	2000 BCDE RMRB	5.75	04/22/04	04/20/34	131,891.45	135,872.37			(401.42)		131,490.03	135,211.77	(259.18)	0.00
GNMA	2000 BCDE RMRB	5.75	04/29/04	04/20/34	264,832.75	272,826.31			(829.13)		264,003.62	271,476.10	(521.08)	0.00
GNMA	2000 BCDE RMRB	5.75	05/06/04	05/20/34	193,818.53	199,668.62			(836.35)		192,982.18	198,444.44	(387.83)	0.00
GNMA	2000 BCDE RMRB	5.75	05/13/04	05/20/34	307,943.58	317,238.35			(1,183.63)		306,759.95	315,442.61	(612.11)	0.00
GNMA	2000 BCDE RMRB	5.75	05/20/04	05/20/34	617,568.36	636,208.66			(2,137.98)		615,430.38	632,849.80	(1,220.88)	0.00
GNMA	2000 BCDE RMRB	5.75	05/27/04	05/20/34	254,333.45	262,010.10			(1,040.02)		253,293.43	260,462.76	(507.32)	0.00
GNMA	2000 BCDE RMRB	5.75	06/03/04	06/20/34	540,097.45	556,399.41			(63,677.45)		476,420.00	489,904.80	(2,817.16)	0.00
GNMA	2000 BCDE RMRB	5.75	06/10/04	06/20/34	438,013.46	451,234.21			(1,672.46)		436,341.00	448,691.42	(670.33)	0.00
GNMA	2000 BCDE RMRB	5.75	06/17/04	06/20/34	252,449.83	260,069.63			(67,153.38)		185,296.45	190,541.16	(2,375.09)	0.00
GNMA	2000 BCDE RMRB	5.75	06/24/04	06/20/34	493,506.36	508,402.03			(1,814.02)		491,692.34	505,609.41	(978.60)	0.00
GNMA	2000 BCDE RMRB	5.75	09/02/04	08/20/34	107,933.87	111,191.68			(478.37)		107,455.50	110,496.97	(216.34)	0.00
GNMA	2000 BCDE RMRB	5.75	09/09/04	08/20/34	107,318.42	110,557.64			(320.98)		106,997.44	110,025.94	(210.72)	0.00
GNMA	2000 BCDE RMRB	5.75	09/16/04	09/20/34	96,430.02	99,340.59			(286.51)		96,143.51	98,864.79	(189.29)	0.00
GNMA	2000 BCDE RMRB	5.75	09/23/04	08/20/34	153,937.08	158,583.43			(461.40)		153,475.68	157,819.74	(302.29)	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/04	09/20/34	291,100.00	299,886.40			(1,333.10)		289,766.90	297,968.63	(584.67)	0.00
GNMA	2000 BCDE RMRB	5.75	10/07/04	10/20/34	147,308.08	151,752.27			(1,059.55)		146,248.53	150,385.96	(306.76)	0.00
GNMA	2000 BCDE RMRB	5.75	07/15/04	07/20/34	615,217.01	633,786.34			(2,035.31)		613,181.70	630,537.47	(1,213.56)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	5.75	07/22/04	07/20/34	629,088.09	648,076.11			(3,220.50)		625,667.59	643,582.44	(1,273.17)	0.00
GNMA	2000 BCDE RMRB	5.75	07/29/04	07/20/34	465,567.29	479,619.70			(1,397.36)		464,169.93	477,308.03	(914.31)	0.00
GNMA	2000 BCDE RMRB	5.75	08/05/04	08/20/34	509,499.41	524,877.80			(3,725.47)		505,773.94	520,089.58	(1,062.75)	0.00
GNMA	2000 BCDE RMRB	5.75	08/12/04	08/20/34	735,308.27	757,502.34			(3,158.07)		732,150.20	752,873.29	(1,470.98)	0.00
GNMA	2000 BCDE RMRB	5.75	08/19/04	08/20/34	288,945.19	298,026.53			(930.62)		288,014.57	296,525.50	(570.41)	0.00
GNMA	2000 BCDE RMRB	5.75	08/26/04	08/20/34	78,264.66	80,626.94			(235.68)		78,028.98	80,237.54	(153.72)	0.00
GNMA	2000 BCDE RMRB	5.75	12/02/04	11/20/34	91,063.09	93,811.69			(292.60)		90,770.49	93,339.71	(179.38)	0.00
GNMA	2000 BCDE RMRB	5.75	12/17/04	12/20/34	195,537.10	201,439.06			(698.26)		194,838.84	200,353.64	(387.16)	0.00
GNMA	2000 BCDE RMRB	5.75	10/14/04	10/20/34	59,310.25	61,100.43			(174.14)		59,136.11	60,809.92	(116.37)	0.00
GNMA	2000 BCDE RMRB	5.75	10/28/04	10/20/34	177,759.86	183,125.26			(525.79)		177,234.07	182,250.60	(348.87)	0.00
GNMA	2000 BCDE RMRB	5.75	11/04/04	10/20/34	63,893.38	65,821.90			(312.70)		63,580.68	65,380.29	(128.91)	0.00
GNMA	2000 BCDE RMRB	5.75	11/23/04	11/20/34	62,015.68	63,887.53			(180.77)		61,834.91	63,585.13	(121.63)	0.00
GNMA	2000 BCDE RMRB	5.75	12/23/04	12/20/34	307,039.50	316,306.98			(1,126.14)		305,913.36	314,572.07	(608.77)	0.00
GNMA	2000 BCDE RMRB	5.75	02/17/05	02/20/35	53,489.67	55,097.18			(153.06)		53,336.61	54,839.87	(104.25)	0.00
GNMA	2000 BCDE RMRB	5.75	05/05/05	04/20/35			141,361.25				141,361.25	145,345.36	3,984.11	0.00
FNMA	2000 BCDE RMRB	6.10	06/10/02	05/01/32	179,111.67	186,207.75			(680.79)		178,430.88	184,782.86	(744.10)	0.00
FNMA	2000 BCDE RMRB	6.10	07/29/02	07/01/32	306,808.06	318,901.58			(1,459.99)		305,348.07	316,126.15	(1,315.44)	0.00
FNMA	2000 BCDE RMRB	6.10	09/12/02	07/01/32	353,235.75	367,159.33			(1,266.65)		351,969.10	364,392.79	(1,499.89)	0.00
FNMA	2000 BCDE RMRB	6.10	10/29/02	10/01/32	299,133.20	310,924.20			(50,297.42)		248,835.78	257,619.09	(3,007.69)	0.00
FNMA	2000 BCDE RMRB	6.10	04/10/03	03/01/33	270,062.47	281,141.74			(2,038.70)		268,023.77	277,481.68	(1,621.36)	0.00
FNMA	2000 BCDE RMRB	6.10	07/03/03	05/01/33	271,976.26	283,134.08			(835.21)		271,141.05	280,708.99	(1,569.88)	0.00
FNMA	2000 BCDE RMRB	6.10	08/14/03	08/01/33	253,808.45	264,220.91			(925.97)		252,882.48	261,806.10	(1,488.84)	0.00
FNMA	2000 BCDE RMRB	6.10	09/04/03	08/01/33	259,292.47	269,929.92			(2,252.61)		257,039.86	266,110.19	(1,567.12)	0.00
FNMA	2000 BCDE RMRB	6.10	12/04/03	10/01/33	150,027.17	156,181.99			(500.06)		149,527.11	154,803.54	(878.39)	0.00
FNMA	2000 BCDE RMRB	5.40	12/11/03	11/01/33	258,632.35	261,353.16			(914.71)		257,717.64	261,632.94	(1,194.49)	0.00
FNMA	2000 BCDE RMRB	5.40	01/29/04	01/01/34	238,391.29	240,899.16			(1,205.93)		237,185.36	240,788.72	(1,095.49)	0.00
FNMA	2000 BCDE RMRB	5.75	05/13/04	05/01/34	266,390.80	273,242.96			(1,449.47)		264,941.33	271,553.87	(239.62)	0.00
FNMA	2000 BCDE RMRB	5.75	06/10/04	06/01/34	286,395.93	293,762.65			(1,943.70)		284,452.23	291,561.73	(267.22)	0.00
FNMA	2000 BCDE RMRB	5.75	07/15/04	07/01/34	303,689.92	311,501.49			(1,039.09)		302,650.83	310,204.56	(267.84)	0.00
FNMA	2000 BCDE RMRB	5.75	08/19/04	08/01/34	243,719.22	249,988.21			(729.73)		242,989.49	249,054.16	(204.32)	0.00
FNMA	2000 BCDE RMRB	5.75	09/23/04	08/01/34	75,739.68	77,687.87			(285.40)		75,454.28	77,337.51	(64.96)	0.00
FNMA	2000 BCDE RMRB	5.75	11/10/04	10/01/34	47,152.40	48,365.28			(138.27)		47,014.13	48,187.56	(39.45)	0.00
FNMA	2000 BCDE RMRB	5.75	02/03/05	02/01/35	237,395.45	243,499.39			(684.07)		236,711.38	242,578.93	(236.39)	0.00
FNMA	2000 BCDE RMRB	5.75	06/26/05	04/01/35			64,709.81				64,709.81	66,313.82	1,604.01	0.00
Inv Agmt	2000 BCDE RMRB	2.48	02/01/05	01/31/06	1,943,411.97	1,943,411.97					1,736,357.40	1,736,357.40	-	0.00
Repo Agmt	2000 BCDE RMRB	3.03	05/31/05	06/01/05	8.58	8.58	0.00				8.58	8.58	-	0.00
GNMA	2000 BCDE RMRB	5.40	10/30/03	10/20/33	20,160.62	20,511.61			(72.18)		20,088.44	20,501.77	62.34	0.00
GNMA	2000 BCDE RMRB	5.40	10/20/03	10/20/33	12,922.46	13,147.31			(44.25)		12,878.21	13,143.05	39.99	0.00
GNMA	2000 BCDE RMRB	5.40	11/19/03	10/20/33	45,196.45	45,983.06			(212.61)		44,983.84	45,909.13	138.68	0.00
GNMA	2000 BCDE RMRB	5.40	11/20/03	11/20/33	42,579.05	43,319.62			(156.77)		42,422.28	43,294.40	131.55	0.00
GNMA	2000 BCDE RMRB	5.40	11/26/03	11/20/33	27,864.06	28,348.72			(100.43)		27,763.63	28,334.42	86.13	0.00
GNMA	2000 BCDE RMRB	5.40	12/04/03	11/20/33	34,851.76	35,457.93			(119.03)		34,732.73	35,446.76	107.86	0.00
GNMA	2000 BCDE RMRB	5.40	12/11/03	12/20/33	30,372.00	30,900.26			(101.78)		30,270.22	30,892.52	94.04	0.00
GNMA	2000 BCDE RMRB	5.40	12/18/03	12/20/33	83,017.91	84,461.83			(496.07)		82,521.84	84,218.32	252.56	0.00
GNMA	2000 BCDE RMRB	5.40	12/23/03	12/20/33	84,472.55	85,941.74			(3,566.39)		80,906.16	82,569.40	194.05	0.00
GNMA	2000 BCDE RMRB	5.40	01/01/04	01/20/34	16,818.85	17,107.16			(5,652.41)		11,166.44	11,394.22	(60.53)	0.00
GNMA	2000 BCDE RMRB	5.40	01/15/04	01/20/34	105,182.00	106,984.99			(479.11)		104,702.89	106,838.52	332.64	0.00
GNMA	2000 BCDE RMRB	5.40	01/22/04	01/20/34	24,703.84	25,065.97			(82.34)		24,621.50	25,062.08	78.45	0.00
GNMA	2000 BCDE RMRB	5.40	01/29/04	01/20/34	4,259.24	4,332.22			(16.59)		4,242.65	4,329.14	13.51	0.00
GNMA	2000 BCDE RMRB	5.75	03/25/04	03/20/34	1,563.90	1,611.06			(4.78)		1,559.12	1,603.19	(3.09)	0.00
GNMA	2000 BCDE RMRB	5.75	03/30/04	03/20/34	6,433.31	6,627.49			(20.62)		6,412.69	6,594.20	(12.67)	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	29,455.99	30,345.06			(112.72)		29,343.27	30,173.80	(58.54)	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	10,072.53	10,376.55			(59.42)		10,013.11	10,296.53	(20.60)	0.00
GNMA	2000 BCDE RMRB	4.75	04/08/04	04/20/34	8,456.83	8,712.08			(31.20)		8,425.63	8,664.11	(16.77)	0.00
GNMA	2000 BCDE RMRB	5.75	04/15/04	04/20/34	11,406.10	11,750.39			(59.16)		11,346.94	11,668.12	(23.11)	0.00
GNMA	2000 BCDE RMRB	5.75	04/22/04	04/20/34	5,104.43	5,258.54			(15.55)		5,088.88	5,232.97	(10.02)	0.00
GNMA	2000 BCDE RMRB	5.75	04/29/04	04/20/34	10,249.60	10,558.94			(32.09)		10,217.51	10,506.68	(20.17)	0.00
GNMA	2000 BCDE RMRB	5.75	05/06/04	05/20/34	7,501.17	7,727.58			(32.36)		7,468.81	7,680.21	(15.01)	0.00
GNMA	2000 BCDE RMRB	5.75	05/13/04	05/20/34	11,918.04	12,277.77			(45.81)		11,872.23	12,208.27	(23.69)	0.00

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GNMA	2000 BCDE RMRB	5.75	05/20/04	05/20/34	23,901.14	24,622.57			(82.74)		23,818.40	24,492.57	(47.26)	0.00
GNMA	2000 BCDE RMRB	5.75	05/27/04	05/20/34	9,843.24	10,140.33			(40.25)		9,802.99	10,080.44	(19.64)	0.00
GNMA	2000 BCDE RMRB	5.75	06/03/04	06/20/34	20,902.90	21,533.79			(2,464.45)		18,438.45	18,960.32	(109.02)	0.00
GNMA	2000 BCDE RMRB	5.75	06/10/04	06/20/34	16,952.02	17,463.68			(64.73)		16,887.29	17,365.27	(33.68)	0.00
GNMA	2000 BCDE RMRB	5.75	06/17/04	06/20/34	9,770.33	10,065.23			(2,598.97)		7,171.36	7,374.33	(91.93)	0.00
GNMA	2000 BCDE RMRB	5.75	06/24/04	06/20/34	19,099.71	19,676.20			(70.21)		19,029.50	19,568.12	(37.87)	0.00
GNMA	2000 BCDE RMRB	5.75	09/02/04	08/20/34	4,177.26	4,303.34			(18.51)		4,158.75	4,276.45	(8.38)	0.00
GNMA	2000 BCDE RMRB	5.75	09/09/04	08/20/34	4,153.44	4,278.80			(12.42)		4,141.02	4,258.23	(8.15)	0.00
GNMA	2000 BCDE RMRB	5.75	09/16/04	09/20/34	3,732.02	3,844.69			(11.07)		3,720.95	3,826.27	(7.35)	0.00
GNMA	2000 BCDE RMRB	5.75	09/23/04	08/20/34	5,957.69	6,137.50			(17.85)		5,939.84	6,107.94	(11.71)	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/04	09/20/34	11,266.16	11,606.21			(51.59)		11,214.57	11,531.99	(22.63)	0.00
GNMA	2000 BCDE RMRB	5.75	10/07/04	10/20/34	5,701.05	5,873.12			(41.01)		5,660.04	5,820.24	(11.87)	0.00
GNMA	2000 BCDE RMRB	5.75	07/15/04	07/20/34	23,810.16	24,528.82			(78.77)		23,731.39	24,403.08	(46.97)	0.00
GNMA	2000 BCDE RMRB	5.75	07/22/04	07/20/34	24,346.99	25,081.86			(124.64)		24,222.35	24,907.95	(49.27)	0.00
GNMA	2000 BCDE RMRB	5.75	07/29/04	07/20/34	18,018.39	18,562.26			(54.07)		17,964.32	18,472.79	(35.40)	0.00
GNMA	2000 BCDE RMRB	5.75	08/05/04	08/20/34	19,718.65	20,313.84			(144.18)		19,574.47	20,128.52	(41.14)	0.00
GNMA	2000 BCDE RMRB	5.75	08/12/04	08/20/34	28,457.93	29,316.89			(122.21)		28,335.72	29,137.74	(56.94)	0.00
GNMA	2000 BCDE RMRB	5.75	08/19/04	08/20/34	11,182.79	11,534.23			(36.01)		11,146.78	11,476.14	(22.08)	0.00
GNMA	2000 BCDE RMRB	5.75	08/26/04	08/20/34	3,029.03	3,120.43			(9.13)		3,019.90	3,105.36	(5.94)	0.00
GNMA	2000 BCDE RMRB	5.75	12/02/04	11/20/34	3,524.33	3,630.70			(11.31)		3,513.02	3,612.43	(6.96)	0.00
GNMA	2000 BCDE RMRB	5.75	12/17/04	12/20/34	7,667.67	7,796.10			(27.02)		7,540.65	7,754.10	(14.98)	0.00
GNMA	2000 BCDE RMRB	5.75	10/14/04	10/20/34	2,295.41	2,364.71			(6.74)		2,288.67	2,353.47	(4.50)	0.00
GNMA	2000 BCDE RMRB	5.75	10/28/04	10/20/34	6,879.68	7,087.32			(20.35)		6,859.33	7,053.47	(13.50)	0.00
GNMA	2000 BCDE RMRB	5.75	11/04/04	10/20/34	2,472.80	2,547.44			(12.12)		2,460.68	2,530.35	(4.97)	0.00
GNMA	2000 BCDE RMRB	5.75	11/23/04	11/20/34	2,400.13	2,472.58			(7.00)		2,393.13	2,460.87	(4.71)	0.00
GNMA	2000 BCDE RMRB	5.75	12/23/04	12/20/34	11,883.05	12,241.72			(43.58)		11,839.47	12,174.58	(23.56)	0.00
GNMA	2000 BCDE RMRB	5.75	02/17/05	02/20/35	2,070.16	2,132.37			(5.91)		2,064.25	2,122.42	(4.04)	0.00
GNMA	2000 BCDE RMRB	5.75	05/05/05	04/20/35			5,470.97				5,470.97	5,625.16	154.19	0.00
FNMA	2000 BCDE RMRB	5.40	12/11/03	11/01/33	21,506.25	21,732.49			(76.06)		21,430.19	21,755.75	99.32	0.00
FNMA	2000 BCDE RMRB	5.40	01/29/04	01/01/34	19,823.10	20,031.66			(100.28)		19,722.82	20,022.47	91.09	0.00
FNMA	2000 BCDE RMRB	5.75	05/13/04	05/01/34	10,309.89	10,575.06			(56.10)		10,253.79	10,509.69	(9.27)	0.00
FNMA	2000 BCDE RMRB	5.75	06/10/04	06/01/34	11,084.11	11,369.22			(75.23)		11,008.88	11,283.65	(10.34)	0.00
FNMA	2000 BCDE RMRB	5.75	07/15/04	07/01/34	11,753.41	12,055.74			(40.21)		11,713.20	12,005.55	(9.98)	0.00
FNMA	2000 BCDE RMRB	5.75	08/19/04	08/01/34	9,432.38	9,675.05			(28.25)		9,404.13	9,638.90	(7.90)	0.00
FNMA	2000 BCDE RMRB	5.75	09/23/04	08/01/34	2,931.27	3,006.68			(11.05)		2,920.22	2,993.12	(2.51)	0.00
FNMA	2000 BCDE RMRB	5.75	11/10/04	10/01/34	1,824.91	1,871.83			(5.34)		1,819.57	1,864.95	(1.54)	0.00
FNMA	2000 BCDE RMRB	5.75	02/03/05	02/01/35	9,187.69	9,423.93			(26.48)		9,161.21	9,388.30	(9.15)	0.00
GNMA	2000 BCDE RMRB	5.75	05/26/05	04/01/35			2,504.40				2,504.40	2,566.48	62.08	0.00
	2000 BCDE RMRB Total				92,599,647.44	95,715,371.89	3,836,211.40	(215,068.00)	(2,373,633.32)	0.00	93,847,157.52	96,589,228.16	(373,653.81)	
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	4,329.58	4,329.58	30.72				4,360.30	4,360.30	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	78,732.35	78,732.35	558.09				79,290.44	79,290.44	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	3,017.50	3,017.50	21.44				3,038.94	3,038.94	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	9,720.84	9,720.84	68.89				9,789.73	9,789.73	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	13,339.49	13,339.49	2,456.45				15,795.94	15,795.94	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	0.30	0.30	0.30				0.60	0.60	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	0.04	0.04	0.00				0.04	0.04	-	0.00
GICs	2001 A-E RMRB	4.71	10/30/01	07/01/33	3,924,519.30	3,924,519.30	2,723,576.22				6,648,095.52	6,648,095.52	-	0.00
GICs	2001 A-E RMRB	4.71	10/30/01	07/01/33	187,002.94	187,002.94		(169.17)			186,833.77	186,833.77	-	0.00
GICs	2001 A-E RMRB	4.71	10/30/01	07/01/33	348.40	348.40	0.00				348.40	348.40	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	0.50	0.50	0.00				0.50	0.50	-	0.00
GICs	2001 A-E RMRB	4.71	10/30/01	07/01/33	2,909,096.59	2,909,096.59	0.00				2,909,096.59	2,909,096.59	-	0.00
GNMA	2001 A-E RMRB	8.19	07/25/90	06/20/15	278,018.08	301,161.06			(4,771.81)		273,246.27	295,711.37	(677.88)	0.00
GNMA	2001 A-E RMRB	8.19	10/28/91	01/20/16	37,795.33	41,048.32			(37,795.19)		0.14	0.14	(3,252.99)	(0.00)
GNMA	2001 A-E RMRB	7.19	07/25/90	06/20/15	70,490.25	75,210.19			(1,350.52)		69,139.73	73,618.16	(241.51)	0.00
GNMA	2001 A-E RMRB	8.19	07/25/90	06/20/15	98,329.63	106,514.78			(2,386.35)		95,943.28	103,831.21	(297.22)	0.00
GNMA	2001 A-E RMRB	7.19	01/22/90	11/20/14	309,932.44	330,163.93			(47,548.15)		262,384.29	278,914.82	(3,700.96)	0.00
GNMA	2001 A-E RMRB	8.19	01/22/90	11/20/14	65,198.87	70,425.95			(1,861.27)		63,337.60	68,340.20	(224.48)	0.00
GNMA	2001 A-E RMRB	7.19	01/01/90	11/20/14	175,863.07	187,342.85			(3,510.09)		172,352.98	183,211.37	(621.39)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	8.19	01/01/90	11/20/14	134,292.50	145,058.89			(3,260.44)		131,032.06	141,381.34	(417.11)	0.00
GNMA	2001 A-E RMRB	7.19	01/01/90	12/20/14	207,876.78	221,446.29			(4,032.61)		203,844.17	216,686.51	(727.17)	0.00
GNMA	2001 A-E RMRB	8.19	02/28/90	12/20/14	240,788.38	260,092.75			(6,896.49)		233,891.89	252,365.41	(630.85)	0.00
GNMA	2001 A-E RMRB	7.19	01/20/90	01/20/15	314,423.14	335,476.53			(38,099.83)		276,323.31	294,221.73	(3,154.97)	0.00
GNMA	2001 A-E RMRB	8.19	01/01/90	01/20/15	410,778.62	444,972.92			(38,664.56)		372,114.06	402,707.58	(3,600.78)	0.00
GNMA	2001 A-E RMRB	7.19	02/27/90	01/20/15	139,301.50	148,628.96			(2,439.30)		136,862.20	145,727.23	(462.43)	0.00
GNMA	2001 A-E RMRB	8.19	02/27/90	12/20/14	181,233.38	195,763.09			(34,906.95)		146,326.43	157,883.71	(2,972.43)	0.00
GNMA	2001 A-E RMRB	7.19	02/27/90	01/20/15	157,419.56	167,960.16			(3,008.24)		154,411.32	164,413.06	(538.86)	0.00
GNMA	2001 A-E RMRB	8.19	02/27/90	01/20/15	197,187.63	213,602.08			(7,468.49)		189,719.14	205,317.02	(816.57)	0.00
GNMA	2001 A-E RMRB	7.19	03/30/90	01/20/15	125,079.94	133,455.12			(3,460.89)		121,619.05	129,496.72	(497.51)	0.00
GNMA	2001 A-E RMRB	8.19	03/30/90	01/20/15	216,452.22	234,470.33			(36,503.27)		179,948.95	194,743.58	(3,223.48)	0.00
GNMA	2001 A-E RMRB	7.19	03/30/90	02/20/15	115,363.25	123,087.85			(2,859.13)		112,504.12	119,791.42	(437.30)	0.00
GNMA	2001 A-E RMRB	8.19	03/30/90	02/20/15	319,801.11	346,422.25			(38,554.10)		281,247.01	304,369.91	(3,498.24)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/90	03/20/15	478,914.06	510,981.52			(12,833.27)		466,080.79	496,270.43	(1,877.82)	0.00
GNMA	2001 A-E RMRB	8.19	04/26/90	03/20/15	259,260.38	280,841.93			(5,696.98)		253,563.40	274,410.27	(734.68)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/90	03/20/15	389,398.25	415,471.87			(31,700.25)		357,698.00	380,867.33	(2,904.29)	0.00
GNMA	2001 A-E RMRB	8.19	04/26/90	03/20/15	888,959.42	962,958.76			(16,284.48)		872,674.94	944,422.30	(2,251.98)	0.00
GNMA	2001 A-E RMRB	7.19	05/29/90	04/20/15	220,987.26	235,784.24			(7,601.53)		213,385.73	227,207.41	(975.30)	0.00
GNMA	2001 A-E RMRB	8.19	05/29/90	03/20/15	39,768.19	43,078.58			(648.00)		39,120.19	42,336.46	(94.12)	0.00
GNMA	2001 A-E RMRB	7.19	05/29/90	04/20/15	287,347.02	306,587.40			(9,137.27)		278,209.75	296,230.34	(1,219.79)	0.00
GNMA	2001 A-E RMRB	8.19	05/29/90	04/20/15	589,843.82	638,944.11			(52,590.58)		537,253.24	581,423.89	(4,929.64)	0.00
GNMA	2001 A-E RMRB	7.19	06/28/90	05/20/15	93,133.84	99,369.93			(1,668.10)		91,465.74	97,390.25	(311.58)	0.00
GNMA	2001 A-E RMRB	8.19	06/28/90	05/20/15	109,185.27	118,274.15			(16,975.00)		92,210.27	99,791.39	(1,507.76)	0.00
GNMA	2001 A-E RMRB	7.19	06/28/90	05/20/15	115,344.39	123,067.77			(1,989.76)		113,354.63	120,697.07	(380.94)	0.00
GNMA	2001 A-E RMRB	8.19	06/28/90	05/20/15	451,381.37	488,955.59			(76,658.61)		374,722.76	405,530.80	(6,766.18)	0.00
GNMA	2001 A-E RMRB	6.19	06/28/90	05/20/15	125,415.47	131,537.21			(2,264.43)		123,151.04	128,516.12	(756.66)	0.00
GNMA	2001 A-E RMRB	7.19	07/25/90	06/20/15	62,660.59	66,856.28			(1,110.56)		61,550.03	65,536.85	(208.87)	0.00
GNMA	2001 A-E RMRB	7.19	09/13/90	06/20/15	50,731.53	54,128.50			(853.36)		49,878.17	53,108.99	(166.15)	0.00
GNMA	2001 A-E RMRB	8.19	09/13/90	07/20/15	120,649.72	130,692.94			(1,853.27)		118,796.45	128,563.37	(276.30)	0.00
GNMA	2001 A-E RMRB	7.19	09/13/90	07/20/15	119,454.42	127,452.93			(1,941.42)		117,513.00	125,124.72	(386.79)	0.00
GNMA	2001 A-E RMRB	8.19	09/13/90	08/20/15	262,620.97	284,482.21			(50,924.91)		211,696.06	229,100.71	(4,456.59)	0.00
GNMA	2001 A-E RMRB	6.19	09/13/90	07/20/15	117,671.37	123,415.11			(2,356.41)		115,314.96	120,338.66	(720.04)	0.00
GNMA	2001 A-E RMRB	8.19	09/28/90	08/20/15	167,139.46	181,053.67			(39,517.28)		127,622.18	138,114.71	(3,421.68)	0.00
GNMA	2001 A-E RMRB	6.19	09/28/90	08/20/15	258,113.75	270,712.77			(6,695.13)		251,418.62	262,371.71	(1,645.93)	0.00
GNMA	2001 A-E RMRB	7.19	09/28/90	08/20/15	254,411.79	271,446.92			(5,100.03)		249,311.76	265,460.58	(886.31)	0.00
GNMA	2001 A-E RMRB	8.19	09/28/90	08/20/15	543,070.07	588,276.69			(17,474.72)		525,595.35	568,807.44	(1,994.53)	0.00
GNMA	2001 A-E RMRB	7.19	10/31/90	08/20/15	43,115.91	46,002.89			(33,323.37)		9,792.54	10,426.83	(2,252.69)	0.00
GNMA	2001 A-E RMRB	8.19	10/31/90	09/20/15	141,398.11	153,168.52			(2,653.93)		138,744.18	150,151.15	(363.44)	0.00
GNMA	2001 A-E RMRB	6.19	10/31/90	09/20/15	203,784.04	213,731.09			(3,800.81)		199,983.23	208,695.50	(1,234.78)	0.00
GNMA	2001 A-E RMRB	7.19	10/31/90	09/20/15	53,486.16	57,067.51			(1,411.44)		52,074.72	55,447.76	(208.31)	0.00
GNMA	2001 A-E RMRB	8.19	10/31/90	09/20/15	324,887.63	351,932.18			(6,232.47)		318,655.16	344,853.59	(846.12)	0.00
GNMA	2001 A-E RMRB	6.19	11/28/90	10/20/15	183,172.86	192,113.81			(4,149.42)		179,023.44	186,822.57	(1,141.82)	0.00
GNMA	2001 A-E RMRB	8.19	11/28/90	10/20/15	580,007.47	628,288.89			(8,770.70)		571,236.77	618,201.32	(1,316.87)	0.00
GNMA	2001 A-E RMRB	7.19	12/21/90	10/20/15	83,022.92	88,582.04			(1,295.08)		81,727.84	87,021.66	(265.30)	0.00
GNMA	2001 A-E RMRB	8.19	12/21/90	11/20/15	164,799.77	178,518.15			(2,499.09)		162,300.68	175,644.33	(374.73)	0.00
GNMA	2001 A-E RMRB	8.19	02/25/91	10/20/15	45,306.84	49,078.36			(676.06)		44,630.78	48,300.17	(102.13)	0.00
GNMA	2001 A-E RMRB	6.19	01/25/91	11/20/15	191,832.68	201,196.34			(3,236.29)		188,596.39	196,812.57	(1,147.48)	0.00
GNMA	2001 A-E RMRB	8.19	01/28/91	11/20/15	47,152.05	51,077.13			(844.83)		46,307.22	50,114.41	(117.89)	0.00
GNMA	2001 A-E RMRB	8.19	02/25/90	01/20/16	239,823.89	260,466.11			(35,494.09)		204,329.80	221,740.01	(3,232.01)	0.00
GNMA	2001 A-E RMRB	8.19	03/28/91	02/20/16	165,730.70	179,995.53			(2,448.81)		163,281.89	177,194.53	(352.19)	0.00
GNMA	2001 A-E RMRB	8.19	04/29/91	02/20/16	165,826.76	184,303.23			(1,349.09)		164,477.67	180,349.08	(2,605.06)	0.00
GNMA	2001 A-E RMRB	8.19	04/29/91	04/20/16	285,592.71	310,174.44			(4,582.54)		281,010.17	304,954.10	(637.80)	0.00
GNMA	2001 A-E RMRB	7.19	04/29/91	02/20/16	360,775.66	386,480.55			(52,755.16)		308,020.50	329,321.44	(4,403.95)	0.00
GNMA	2001 A-E RMRB	6.19	04/29/91	04/20/16	389,471.49	409,019.61			(8,066.84)		381,404.65	398,592.85	(2,359.92)	0.00
GNMA	2001 A-E RMRB	8.19	04/26/91	04/20/16	23,978.69	26,042.64			(362.85)		23,615.84	25,628.10	(51.69)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/91	04/20/16	123,260.76	132,043.00			(2,241.11)		121,019.65	129,389.71	(413.18)	0.00
GNMA	2001 A-E RMRB	6.19	10/23/92	09/20/17	510,822.48	537,032.34			(8,217.08)		502,605.40	525,878.07	(2,937.19)	0.00
GNMA	2001 A-E RMRB	8.19	11/23/92	01/20/17	19,332.89	21,045.00			(275.31)		19,057.58	20,731.87	(37.82)	0.00
GNMA	2001 A-E RMRB	7.19	10/30/92	08/20/17	499,749.57	536,740.09			(6,822.25)		492,927.32	527,968.34	(1,949.50)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	6.00	10/30/92	09/20/17	444,520.10	463,608.11			(6,305.25)		438,214.85	456,383.41	(919.45)	0.00
GNMA	2001 A-E RMRB	5.45	02/25/02	01/20/32	585,653.67	600,167.12			(52,324.04)		533,329.63	548,463.75	620.67	0.00
GNMA	2001 A-E RMRB	4.95	02/25/02	02/20/32	1,260,555.95	1,263,560.18			(6,745.50)		1,253,810.45	1,270,029.92	13,215.24	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	05/20/32	396,390.62	406,213.82			(1,554.97)		394,835.65	406,039.77	1,380.92	0.00
GNMA	2001 A-E RMRB	4.95	05/15/02	05/20/32	1,170,932.05	1,173,722.61			(6,414.33)		1,164,517.72	1,179,582.02	12,273.74	0.00
GNMA	2001 A-E RMRB	4.95	05/24/02	05/20/32	943,813.70	946,063.07			(3,799.26)		940,014.44	952,174.62	9,910.81	0.00
GNMA	2001 A-E RMRB	5.45	05/24/02	05/20/32	468,314.03	479,919.61			(126,493.32)		341,820.71	351,520.44	(1,905.85)	0.00
GNMA	2001 A-E RMRB	5.45	03/21/02	02/20/32	1,374,107.23	1,408,159.87			(100,102.43)		1,274,004.80	1,310,156.86	2,099.42	0.00
GNMA	2001 A-E RMRB	5.45	03/21/02	02/20/32	105,475.99	108,089.85			(401.63)		105,074.36	108,056.02	367.80	0.00
GNMA	2001 A-E RMRB	4.95	03/21/02	02/20/32	993,502.88	995,870.62			(96,703.30)		896,799.58	908,400.67	9,233.35	0.00
GNMA	2001 A-E RMRB	5.45	04/17/02	04/20/32	1,771,125.81	1,815,017.14			(7,329.64)		1,763,796.17	1,813,846.79	6,159.29	0.00
GNMA	2001 A-E RMRB	5.45	04/17/02	03/20/32	158,946.58	162,885.51			(599.71)		158,346.87	162,840.19	554.39	0.00
GNMA	2001 A-E RMRB	4.95	04/17/02	04/20/32	1,837,607.77	1,841,987.23			(9,789.18)		1,827,818.59	1,851,463.49	19,265.44	0.00
GNMA	2001 A-E RMRB	5.45	04/29/02	04/20/32	63,785.06	65,365.76			(238.96)		63,546.10	65,349.33	222.53	0.00
GNMA	2001 A-E RMRB	4.95	04/29/02	04/20/32	2,372,350.42	2,378,004.33			(11,991.13)		2,360,359.29	2,390,893.23	24,880.03	0.00
GNMA	2001 A-E RMRB	5.45	04/29/02	04/20/32	827,334.29	847,836.95			(173,665.65)		653,668.64	672,217.57	(1,953.73)	0.00
GNMA	2001 A-E RMRB	4.95	04/29/02	04/20/32	83,708.86	83,908.32			(1,321.69)		82,387.17	83,452.91	866.28	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	05/20/32	412,732.00	422,960.17			(1,755.46)		410,976.54	422,638.69	1,433.98	0.00
GNMA	2001 A-E RMRB	4.95	05/15/02	04/20/32	332,517.75	333,310.21			(1,357.77)		331,159.98	335,443.90	3,491.46	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	04/20/32	130,885.63	134,129.18			(499.04)		130,386.59	134,086.51	456.37	0.00
GNMA	2001 A-E RMRB	5.45	08/29/02	08/20/32	587,622.27	602,184.46			(3,860.41)		583,761.86	600,327.04	2,002.99	0.00
GNMA	2001 A-E RMRB	4.95	08/29/02	08/20/32	547,470.05	548,774.82			(2,211.69)		545,258.36	552,311.90	5,748.77	0.00
GNMA	2001 A-E RMRB	5.45	06/03/02	05/20/32	391,290.14	400,986.95			(1,503.37)		389,786.77	400,847.63	1,364.05	0.00
GNMA	2001 A-E RMRB	4.95	06/03/02	05/20/32	1,199,048.69	1,201,906.28			(5,036.17)		1,194,012.52	1,209,458.39	12,589.28	0.00
GNMA	2001 A-E RMRB	5.45	06/10/02	05/20/32	52,012.02	53,300.96			(196.50)		51,815.52	53,285.88	181.42	0.00
GNMA	2001 A-E RMRB	4.95	06/10/02	05/20/32	529,531.21	530,793.20			(2,866.26)		526,664.95	533,477.95	5,551.01	0.00
GNMA	2001 A-E RMRB	5.45	06/19/02	06/20/32	102,496.83	105,036.87			(1,513.71)		100,983.12	103,848.70	325.54	0.00
GNMA	2001 A-E RMRB	4.95	06/19/02	06/20/32	288,688.85	289,376.86			(1,191.10)		287,497.75	291,216.85	3,031.09	0.00
GNMA	2001 A-E RMRB	5.45	06/25/02	05/20/32	207,895.62	213,047.62			(808.35)		207,087.27	212,963.72	724.45	0.00
GNMA	2001 A-E RMRB	4.95	06/25/02	06/20/32	197,412.41	197,882.90			(926.07)		196,486.34	199,028.12	2,071.29	0.00
GNMA	2001 A-E RMRB	5.45	07/05/02	06/20/32	709,326.10	726,904.36			(2,682.99)		706,643.11	726,695.30	2,473.93	0.00
GNMA	2001 A-E RMRB	4.95	07/05/02	06/20/32	1,058,981.39	1,061,505.20			(4,612.98)		1,054,368.41	1,068,007.85	11,115.63	0.00
GNMA	2001 A-E RMRB	5.45	07/15/02	06/20/32	121,881.37	124,901.77			(448.25)		121,433.12	124,878.98	425.46	0.00
GNMA	2001 A-E RMRB	4.95	07/15/02	06/20/32	302,976.05	303,698.10			(1,337.43)		301,638.62	305,540.65	3,179.98	0.00
GNMA	2001 A-E RMRB	5.45	07/22/02	06/20/32	171,959.18	176,220.60			(715.90)		171,243.28	176,102.57	597.87	0.00
GNMA	2001 A-E RMRB	4.95	07/22/02	07/20/32	742,730.97	744,501.09			(4,032.68)		738,698.29	748,254.19	7,785.78	0.00
GNMA	2001 A-E RMRB	5.45	07/29/02	06/20/32	104,566.19	107,157.53			(408.62)		104,157.57	107,113.23	364.32	0.00
GNMA	2001 A-E RMRB	5.45	07/29/02	06/20/32	74,906.69	76,762.98			(292.73)		74,613.96	76,731.24	260.99	0.00
GNMA	2001 A-E RMRB	4.95	07/29/02	07/20/32	447,030.53	448,095.92			(1,803.08)		445,227.45	450,986.98	4,694.14	0.00
GNMA	2001 A-E RMRB	5.45	08/01/02	07/20/32	65,243.29	66,860.13			(241.76)		65,001.53	66,846.06	227.69	0.00
GNMA	2001 A-E RMRB	4.95	08/01/02	06/20/32	57,741.29	57,878.90			(243.41)		57,497.88	58,241.68	606.19	0.00
GNMA	2001 A-E RMRB	5.45	08/12/02	07/20/32	501,738.58	514,172.46			(1,876.92)		499,861.66	514,046.05	1,750.51	0.00
GNMA	2001 A-E RMRB	4.95	08/12/02	07/20/32	249,532.03	250,126.72			(1,068.66)		248,463.37	251,677.52	2,619.46	0.00
GNMA	2001 A-E RMRB	5.45	08/23/02	08/20/32	1,207,912.96	1,237,846.99			(120,211.03)		1,087,701.93	1,118,567.28	931.32	0.00
GNMA	2001 A-E RMRB	4.95	08/23/02	08/20/32	1,514,736.81	1,518,346.79			(6,586.01)		1,508,150.80	1,527,660.42	15,899.64	0.00
GNMA	2001 A-E RMRB	5.45	11/12/02	10/20/32	476,881.59	488,699.49			(2,136.14)		474,745.45	488,217.15	1,653.80	0.00
GNMA	2001 A-E RMRB	5.45	09/12/02	08/20/32	347,138.45	355,741.07			(1,381.51)		345,756.94	355,568.34	1,208.78	0.00
GNMA	2001 A-E RMRB	4.95	09/12/02	08/20/32	566,065.30	567,414.38			(2,282.84)		563,782.46	571,075.64	5,944.10	0.00
GNMA	2001 A-E RMRB	5.45	09/19/02	09/20/32	210,898.27	216,124.67			(763.69)		210,134.58	216,097.50	736.52	0.00
GNMA	2001 A-E RMRB	4.95	09/19/02	09/20/32	567,768.16	569,121.27			(2,870.61)		564,897.55	572,205.12	5,954.46	0.00
GNMA	2001 A-E RMRB	5.45	09/26/02	09/20/32	679,806.05	696,652.74			(66,462.34)		613,343.71	630,748.35	557.95	0.00
GNMA	2001 A-E RMRB	4.95	09/26/02	09/20/32	394,143.70	395,083.02			(1,611.22)		392,532.48	397,610.32	4,138.52	0.00
GNMA	2001 A-E RMRB	5.45	10/10/02	09/20/32	610,925.80	626,065.56			(2,240.37)		608,685.43	625,957.93	2,132.74	0.00
GNMA	2001 A-E RMRB	4.95	10/10/02	09/20/32	459,907.84	461,003.90			(2,002.61)		457,905.23	463,828.73	4,827.44	0.00
GNMA	2001 A-E RMRB	5.45	10/21/02	10/20/32	156,235.33	160,107.11			(563.69)		155,671.64	160,089.10	545.68	0.00
GNMA	2001 A-E RMRB	4.95	10/21/02	10/20/32	439,549.25	440,596.80			(1,740.79)		437,808.46	443,472.01	4,616.00	0.00
GNMA	2001 A-E RMRB	5.45	10/29/02	11/20/32	130,721.61	133,961.11			(485.06)		130,236.55	133,932.23	456.18	0.00
GNMA	2001 A-E RMRB	4.95	10/29/02	11/20/32	323,818.30	324,590.03			(1,296.93)		322,521.37	326,693.53	3,400.43	0.00
GNMA	2001 A-E RMRB	5.45	11/05/02	10/20/32	438,247.18	449,107.63			(1,661.46)		436,585.72	448,974.55	1,528.38	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	4.95	11/05/02	10/20/32	266,154.06	266,788.39			(1,050.00)		265,104.06	268,533.49	2,795.10	0.00
GNMA	2001 A-E RMRB	5.45	11/19/02	11/20/32	112,976.58	115,776.32			(407.91)		112,568.67	115,762.98	394.57	0.00
GNMA	2001 A-E RMRB	4.95	11/19/02	11/20/32	75,873.51	76,054.32			(296.70)		75,576.81	76,554.47	796.85	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	317,488.51	325,356.41			(1,147.09)		316,341.42	325,318.17	1,108.85	0.00
GNMA	2001 A-E RMRB	4.95	11/26/02	11/20/32	81,984.96	82,180.36			(521.13)		81,463.83	82,517.65	858.42	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	194,172.73	198,984.65			(748.17)		193,424.56	198,913.32	676.04	0.00
GNMA	2001 A-E RMRB	4.95	12/12/02	11/20/32	195,902.92	196,369.79			(785.82)		195,117.10	197,641.15	2,057.18	0.00
GNMA	2001 A-E RMRB	5.45	12/12/02	11/20/32	375,397.71	384,700.67			(1,642.24)		373,755.47	384,361.39	1,302.96	0.00
GNMA	2001 A-E RMRB	5.45	12/19/02	12/20/32	428,725.97	439,350.51			(3,001.97)		425,724.00	437,804.65	1,456.11	0.00
GNMA	2001 A-E RMRB	4.95	12/19/02	11/20/32	67,539.73	67,700.70			(262.49)		67,277.24	68,147.55	709.34	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32	449,864.54	461,012.92			(1,850.29)		448,014.25	460,727.42	1,564.79	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32	44,784.62	45,894.45			(161.79)		44,622.83	45,889.07	156.41	0.00
GNMA	2001 A-E RMRB	4.95	12/30/02	12/20/32	132,473.83	132,789.55			(524.90)		131,948.93	133,655.85	1,391.20	0.00
GNMA	2001 A-E RMRB	5.45	01/09/03	12/20/32	112,853.09	115,649.76			(642.33)		112,210.76	115,394.92	387.49	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33	395,097.11	404,800.50			(1,629.90)		393,467.21	404,493.46	1,322.86	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33	390,291.54	391,123.18			(1,981.48)		388,310.06	393,317.62	4,175.92	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33	95,586.62	97,934.19			(339.42)		95,247.20	97,916.35	2,615.58	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33	57,812.27	57,935.46			(692.73)		57,119.54	57,856.14	613.41	0.00
GNMA	2001 A-E RMRB	5.45	01/30/03	12/20/32	294,784.02	302,089.26			(1,307.85)		293,476.17	301,804.06	1,022.65	0.00
GNMA	2001 A-E RMRB	4.95	01/30/03	01/20/33	78,863.60	79,031.64			(455.16)		78,408.44	79,419.58	843.10	0.00
GNMA	2001 A-E RMRB	5.45	02/12/03	01/20/33	248,286.97	254,384.76			(1,247.56)		247,039.41	253,962.25	825.05	0.00
GNMA	2001 A-E RMRB	4.95	02/12/03	02/20/33	247,046.63	247,573.04			(958.70)		246,087.93	249,261.42	2,647.08	0.00
GNMA	2001 A-E RMRB	5.45	02/20/03	02/20/33	185,823.63	190,387.37			(817.81)		185,005.82	190,190.29	620.73	0.00
GNMA	2001 A-E RMRB	5.45	02/27/03	02/20/33	95,069.28	97,404.17			(343.13)		94,726.15	97,380.72	319.68	0.00
GNMA	2001 A-E RMRB	4.95	02/27/03	02/20/33	145,311.08	145,620.69			(589.20)		144,721.88	146,588.15	1,556.66	0.00
GNMA	2001 A-E RMRB	5.45	03/12/03	10/20/32	49,265.45	50,486.33			(176.77)		49,088.68	50,481.66	172.10	0.00
GNMA	2001 A-E RMRB	4.95	03/12/03	02/20/33	166,981.90	167,337.70			(643.99)		166,337.91	168,482.97	1,789.26	0.00
GNMA	2001 A-E RMRB	5.45	03/20/03	02/20/33	279,948.23	286,823.62			(1,077.70)		278,870.53	286,685.39	939.47	0.00
GNMA	2001 A-E RMRB	4.95	03/20/03	02/20/33	214,378.72	214,835.51			(985.54)		213,393.18	216,145.03	2,295.06	0.00
GNMA	2001 A-E RMRB	5.45	04/02/03	03/20/33	170,672.42	174,864.06			(53,672.16)		117,000.26	120,279.00	(912.90)	0.00
GNMA	2001 A-E RMRB	5.45	04/10/03	03/20/33	128,884.67	132,050.01			(493.17)		128,391.50	131,989.45	432.61	0.00
GNMA	2001 A-E RMRB	5.45	04/17/03	03/20/33	58,616.09	60,055.68			(549.57)		58,066.52	59,693.75	187.64	0.00
GNMA	2001 A-E RMRB	5.45	04/29/03	04/20/33	229,005.41	234,629.66			(817.71)		228,187.70	234,582.26	770.31	0.00
GNMA	2001 A-E RMRB	5.45	05/08/03	04/20/33	213,778.27	219,028.55			(920.20)		212,858.07	218,823.04	714.69	0.00
GNMA	2001 A-E RMRB	4.95	05/08/03	04/20/33	150,753.96	151,077.06			(573.92)		150,180.04	152,118.52	1,615.48	0.00
GNMA	2001 A-E RMRB	4.95	05/15/03	04/20/33	152,859.38	153,185.08			(685.52)		152,173.86	154,136.23	1,638.67	0.00
GNMA	2001 A-E RMRB	5.45	05/22/03	04/20/33	158,634.17	162,530.12			(666.38)		157,967.79	162,394.54	530.80	0.00
GNMA	2001 A-E RMRB	5.45	05/29/03	05/20/33	294,671.43	301,908.41			(1,073.13)		293,598.30	301,825.87	990.59	0.00
GNMA	2001 A-E RMRB	5.45	06/10/03	05/20/33	272,899.34	279,601.59			(950.44)		271,948.90	279,569.79	918.64	0.00
GNMA	2001 A-E RMRB	5.45	06/19/03	06/20/33	118,299.53	121,204.92			(411.73)		117,887.80	121,191.42	398.23	0.00
GNMA	2001 A-E RMRB	5.45	06/19/03	06/20/33	232,618.38	238,331.35			(1,474.92)		231,143.46	237,620.84	764.41	0.00
GNMA	2001 A-E RMRB	5.45	06/26/03	06/20/33	109,233.03	111,915.73			(659.00)		108,574.03	111,816.62	359.89	0.00
GNMA	2001 A-E RMRB	5.45	07/10/03	06/20/33	51,338.31	52,599.15			(175.43)		51,162.88	52,596.63	172.91	0.00
GNMA	2001 A-E RMRB	5.45	07/17/03	07/20/33	54,928.68	56,277.69			(186.56)		54,742.12	56,276.16	185.03	0.00
GNMA	2001 A-E RMRB	5.45	07/24/03	07/20/33	51,278.82	52,538.21			(176.14)		51,102.68	52,534.75	172.68	0.00
GNMA	2001 A-E RMRB	5.45	07/30/03	07/20/33	54,026.19	55,353.04			(183.49)		53,842.70	55,351.54	181.99	0.00
GNMA	2001 A-E RMRB	5.45	08/07/03	07/20/33	105,777.14	108,374.98			(384.05)		105,393.09	108,346.55	355.62	0.00
GNMA	2001 A-E RMRB	5.45	08/28/03	08/20/33	58,288.70	59,720.24			(349.14)		57,939.56	59,563.21	192.11	0.00
GNMA	2001 A-E RMRB	5.45	09/04/03	08/20/33	84,175.93	86,243.25			(284.18)		83,891.75	86,242.67	283.60	0.00
GNMA	2001 A-E RMRB	5.45	09/18/03	07/20/33	105,914.33	108,515.53			(359.76)		105,554.57	108,512.55	356.78	0.00
GNMA	2001 A-E RMRB	5.45	09/29/03	09/20/33	55,871.09	57,243.27			(167.93)		55,683.16	57,243.60	188.26	0.00
GNMA	2001 A-E RMRB	4.95	09/29/03	09/20/33	127,516.19	127,786.89			(480.13)		127,036.06	128,673.26	1,366.50	0.00
GNMA	2001 A-E RMRB	5.45	10/23/03	10/20/33	51,490.62	52,755.19			(177.07)		51,313.55	52,751.52	173.40	0.00
GNMA	2001 A-E RMRB	5.45	11/20/03	10/20/33	54,951.95	56,301.54			(183.28)		54,768.67	56,303.47	185.21	0.00
GNMA	2001 A-E RMRB	5.45	11/26/03	06/20/33	66,092.50	67,715.69			(239.00)		65,853.50	67,698.92	222.23	0.00
GNMA	2001 A-E RMRB	5.45	12/04/03	11/20/33	254,854.61	261,113.69			(844.96)		254,009.65	261,127.81	859.08	0.00
GNMA	2001 A-E RMRB	4.95	12/04/03	11/20/33	105,424.09	105,648.73			(386.23)		105,037.86	106,392.41	1,129.91	0.00
GNMA	2001 A-E RMRB	5.45	12/11/03	12/20/33	62,381.73	63,913.79			(205.58)		62,176.15	63,918.53	210.32	0.00
GNMA	2001 A-E RMRB	4.95	01/15/04	01/20/34	127,118.02	127,311.85			(455.69)		126,662.33	128,249.68	1,393.52	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	4.95	01/22/04	01/20/34	515,330.54	513,550.76			(2,224.16)		513,106.38	516,945.94	5,619.34	0.00
GNMA	2001 A-E RMRB	5.45	01/22/04	12/20/33	53,802.90	55,124.27			(179.69)		53,623.21	55,125.90	181.32	0.00
GNMA	2001 A-E RMRB	5.45	01/29/04	11/20/33	53,194.19	54,500.60			(176.35)		53,017.84	54,503.56	179.31	0.00
GNMA	2001 A-E RMRB	5.45	02/12/04	11/20/33	53,788.49	55,109.50			(261.82)		53,526.67	55,026.66	178.98	0.00
GNMA	2001 A-E RMRB	5.45	03/11/04	02/20/34	54,238.53	55,556.37			(176.59)		54,061.94	55,568.75	188.97	0.00
GNMA	2001 A-E RMRB	4.95	03/11/04	02/20/34	132,972.83	133,175.60			(476.31)		132,496.52	134,156.99	1,457.70	0.00
GNMA	2001 A-E RMRB	4.95	04/08/04	02/20/34	104,711.53	104,349.89			(373.25)		104,338.28	105,119.04	1,142.40	0.00
GNMA	2001 A-E RMRB	5.49	04/16/04	04/20/34	100,600.85	103,208.68			(636.84)		99,964.01	102,935.91	364.07	0.00
FNMA	2001 A-E RMRB	5.45	04/17/02	03/01/32	299,082.71	302,977.33			(1,496.35)		297,586.36	303,001.38	1,520.40	0.00
FNMA	2001 A-E RMRB	4.95	05/15/02	04/01/32	216,126.91	214,170.35			(1,481.65)		214,645.26	215,510.12	2,821.42	0.00
FNMA	2001 A-E RMRB	4.95	06/10/02	06/01/32	92,816.69	91,976.44			(652.70)		92,163.99	92,535.34	1,211.60	0.00
FNMA	2001 A-E RMRB	4.95	07/22/02	06/01/32	252,224.80	249,941.42			(1,827.42)		250,397.38	251,406.28	3,292.28	0.00
FNMA	2001 A-E RMRB	5.45	09/19/02	08/01/32	247,191.44	250,410.33			(917.53)		246,273.91	250,755.21	1,262.41	0.00
FNMA	2001 A-E RMRB	4.95	09/26/02	09/01/32	195,199.53	193,432.37			(776.49)		194,423.04	195,208.38	2,550.50	0.00
FNMA	2001 A-E RMRB	5.45	01/23/03	11/01/32	316,915.72	321,042.56			(1,242.93)		315,672.79	321,416.92	1,617.29	0.00
FNMA	2001 A-E RMRB	4.95	07/24/03	09/01/32	237,693.52	235,541.67			(1,586.33)		236,107.19	237,058.49	3,103.15	0.00
FNMA	2001 A-E RMRB	5.45	09/18/03	01/01/33	70,472.63	71,354.20			(2,238.79)		68,233.84	69,432.25	316.84	0.00
FNMA	2001 A-E RMRB	5.45	12/04/03	11/01/33	96,956.03	98,168.87			(327.03)		96,629.00	98,326.12	484.28	0.00
FNMA	2001 A-E RMRB	4.95	02/26/04	09/01/33	138,089.87	136,750.95			(1,023.41)		137,066.46	137,481.00	1,753.46	0.00
FNMA	2001 A-E RMRB	5.45	04/08/04	01/01/32	26,868.64	27,218.52			(126.22)		26,742.42	27,229.04	136.74	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	1,856.77	1,856.77	0.00				1,856.77	1,856.77	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	129,156.75	129,156.75	915.51				130,072.26	130,072.26	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	123,518.70	123,518.70	41,318.60				164,837.30	164,837.30	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	255,948.95	255,948.95	1,814.29				257,763.24	257,763.24	-	0.00
Repo Agmt	2001 A-E RMRB	3.03	05/31/05	06/01/05	957.61	957.61	6.79				964.40	964.40	-	0.00
GNMA	2001 A-E RMRB	5.49	03/12/03	03/20/33	5,018.52	5,149.92			(17.34)		5,001.18	5,150.61	18.03	0.00
GNMA	2001 A-E RMRB	5.49	03/20/03	02/20/33	12,164.48	12,483.02			(42.45)		12,122.03	12,484.26	43.69	0.00
GNMA	2001 A-E RMRB	5.49	04/02/03	03/20/33	39,140.76	40,165.67			(144.50)		38,996.26	40,161.51	140.34	0.00
GNMA	2001 A-E RMRB	4.80	04/02/03	03/20/33	11,666.56	11,600.60			(68.00)		11,598.56	11,650.93	118.33	0.00
GNMA	2001 A-E RMRB	5.49	04/10/03	03/20/33	17,700.10	18,163.61			(12,159.09)		5,541.01	5,706.62	(297.90)	0.00
GNMA	2001 A-E RMRB	4.80	04/10/03	04/20/33	72,047.17	71,639.74			(284.06)		71,763.11	72,087.06	731.38	0.00
GNMA	2001 A-E RMRB	5.49	04/17/03	04/20/33	76,349.35	78,348.56			(302.75)		76,046.60	78,316.95	273.14	0.00
GNMA	2001 A-E RMRB	4.80	04/17/03	03/20/33	9,853.25	9,797.54			(38.46)		9,814.79	9,859.09	100.01	0.00
GNMA	2001 A-E RMRB	4.80	04/24/03	04/20/33	24,252.02	24,114.88			(93.96)		24,158.06	24,267.12	246.20	0.00
GNMA	2001 A-E RMRB	5.49	04/29/03	04/20/33	13,396.01	13,746.79			(46.74)		13,349.27	13,748.18	48.13	0.00
GNMA	2001 A-E RMRB	4.80	04/29/03	03/20/33	10,046.55	9,989.73			(50.70)		9,995.85	10,040.96	101.93	0.00
GNMA	2001 A-E RMRB	5.49	05/08/03	05/20/33	41,181.49	42,259.86			(141.53)		41,039.96	42,266.30	147.97	0.00
GNMA	2001 A-E RMRB	5.49	05/15/03	05/20/33	15,570.14	15,977.87			(53.61)		15,516.53	15,980.19	55.93	0.00
GNMA	2001 A-E RMRB	4.80	05/15/03	04/20/33	39,819.99	39,594.78			(225.02)		39,594.97	39,773.67	403.91	0.00
GNMA	2001 A-E RMRB	5.49	05/22/03	05/20/33	38,631.41	39,643.00			(153.36)		38,478.05	39,627.84	138.20	0.00
GNMA	2001 A-E RMRB	4.80	05/22/03	04/20/33	27,082.08	26,928.92			(105.24)		26,976.84	27,098.61	274.93	0.00
GNMA	2001 A-E RMRB	5.49	05/29/03	05/20/33	32,813.35	33,672.59			(115.35)		32,698.00	33,675.07	117.83	0.00
GNMA	2001 A-E RMRB	4.80	05/29/03	05/20/33	20,644.23	20,527.48			(80.31)		20,563.92	20,656.76	209.59	0.00
GNMA	2001 A-E RMRB	5.49	06/10/03	05/20/33	21,349.24	21,908.27			(75.46)		21,273.78	21,909.46	76.65	0.00
GNMA	2001 A-E RMRB	4.80	06/10/03	05/20/33	36,896.03	36,687.37			(145.69)		36,750.34	36,916.22	374.54	0.00
GNMA	2001 A-E RMRB	5.49	06/19/03	06/20/33	11,814.84	12,124.19			(40.49)		11,774.35	12,126.17	42.47	0.00
GNMA	2001 A-E RMRB	4.80	06/19/03	06/20/33	10,850.89	10,789.56			(41.55)		10,809.34	10,858.15	110.14	0.00
GNMA	2001 A-E RMRB	5.49	06/19/03	06/20/33	25,659.68	26,331.57			(88.86)		25,570.82	26,334.89	92.18	0.00
GNMA	2001 A-E RMRB	4.80	06/19/03	06/20/33	6,924.55	6,885.37			(26.97)		6,897.58	6,928.68	70.28	0.00
GNMA	2001 A-E RMRB	5.49	06/26/03	06/20/33	5,238.17	5,375.31			(17.84)		5,220.33	5,376.30	18.83	0.00
GNMA	2001 A-E RMRB	4.80	06/26/03	06/20/33	11,203.28	11,139.92			(43.97)		11,159.31	11,209.68	113.73	0.00
GNMA	2001 A-E RMRB	5.49	07/03/03	06/20/33	15,588.11	15,996.30			(53.21)		15,534.90	15,999.11	56.02	0.00
GNMA	2001 A-E RMRB	5.49	07/10/03	06/20/33	33,353.29	34,226.72			(115.12)		33,238.17	34,231.42	119.82	0.00
GNMA	2001 A-E RMRB	4.80	07/10/03	06/20/33	14,774.59	14,691.04			(56.93)		14,717.66	14,784.09	149.98	0.00
GNMA	2001 A-E RMRB	4.80	07/17/03	06/20/33	79,828.00	79,376.57			(476.71)		79,351.29	79,709.49	809.63	0.00
GNMA	2001 A-E RMRB	5.49	07/24/03	07/20/33	40,799.16	41,867.50			(150.39)		40,648.77	41,863.41	146.30	0.00
GNMA	2001 A-E RMRB	4.80	07/24/03	07/20/33	40,753.35	40,522.86			(199.56)		40,553.79	40,736.83	413.53	0.00
GNMA	2001 A-E RMRB	5.49	07/30/03	07/20/33	12,289.61	12,611.41			(42.00)		12,247.61	12,613.57	44.16	0.00
GNMA	2001 A-E RMRB	5.49	08/07/03	07/20/33	28,557.52	29,305.33			(131.37)		28,426.15	29,275.60	101.64	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	4.80	08/07/03	06/20/33	11,252.43	11,188.77			(43.10)		11,209.33	11,259.90	114.23	0.00
GNMA	2001 A-E RMRB	5.49	08/14/03	08/20/33	16,712.26	17,149.87			(56.83)		16,655.43	17,153.11	60.07	0.00
GNMA	2001 A-E RMRB	4.80	08/14/03	07/20/33	32,781.23	32,595.85			(125.10)		32,656.13	32,803.53	332.78	0.00
GNMA	2001 A-E RMRB	5.49	08/21/03	08/20/33	12,656.46	12,987.86			(56.78)		12,599.68	12,976.18	45.10	0.00
GNMA	2001 A-E RMRB	5.49	08/28/03	08/20/33	22,095.53	22,674.08			(10,160.30)		11,935.23	12,291.85	(221.93)	0.00
GNMA	2001 A-E RMRB	4.80	08/28/03	08/20/33	13,387.13	13,311.41			(73.31)		13,313.82	13,373.90	135.80	0.00
GNMA	2001 A-E RMRB	5.49	09/04/03	08/20/33	16,427.61	16,857.79			(67.95)		16,359.66	16,848.53	58.69	0.00
GNMA	2001 A-E RMRB	4.80	09/04/03	09/20/33	11,539.57	11,474.28			(43.50)		11,496.07	11,547.94	117.16	0.00
GNMA	2001 A-E RMRB	5.49	09/18/03	09/20/33	53,744.66	55,151.98			(183.00)		53,561.66	55,162.15	193.17	0.00
GNMA	2001 A-E RMRB	4.80	09/18/03	09/20/33	47,767.18	47,497.05			(181.16)		47,586.02	47,800.84	484.95	0.00
GNMA	2001 A-E RMRB	5.49	09/18/03	09/20/33	30,622.45	31,424.32			(104.55)		30,517.90	31,429.84	110.07	0.00
GNMA	2001 A-E RMRB	4.80	09/18/03	09/20/33	17,374.11	17,275.86			(76.26)		17,297.85	17,375.94	176.34	0.00
GNMA	2001 A-E RMRB	5.49	09/29/03	09/20/33	68,139.68	69,923.96			(292.45)		67,847.23	69,874.62	243.11	0.00
GNMA	2001 A-E RMRB	4.80	09/29/03	09/20/33	47,552.02	47,283.11			(184.23)		47,367.79	47,581.62	482.74	0.00
GNMA	2001 A-E RMRB	5.49	10/16/03	09/20/33	10,210.28	10,477.63			(34.24)		10,176.04	10,480.12	36.73	0.00
GNMA	2001 A-E RMRB	5.49	10/30/03	10/20/33	82,758.25	84,718.03			(282.67)		82,475.58	84,731.83	296.47	0.00
GNMA	2001 A-E RMRB	4.80	10/30/03	10/20/33	280,448.21	277,480.16			(1,211.22)		279,236.99	279,101.63	2,832.69	0.00
GNMA	2001 A-E RMRB	5.49	11/13/03	10/20/33	21,328.21	21,833.32			(97.39)		21,230.82	21,811.67	75.74	0.00
GNMA	2001 A-E RMRB	4.80	11/13/03	10/20/33	143,484.62	142,673.19			(632.68)		142,851.94	143,496.77	1,456.26	0.00
GNMA	2001 A-E RMRB	5.49	11/20/03	11/20/33	5,637.91	5,785.55			(43.14)		5,594.77	5,761.95	19.54	0.00
GNMA	2001 A-E RMRB	4.80	11/20/03	11/20/33	176,440.25	174,572.91			(996.86)		175,443.39	175,358.31	1,782.26	0.00
GNMA	2001 A-E RMRB	5.49	11/26/03	10/20/33	6,753.47	6,930.33			(22.60)		6,730.87	6,932.02	24.29	0.00
GNMA	2001 A-E RMRB	4.80	11/26/03	11/20/33	54,732.87	54,423.34			(285.03)		54,447.84	54,693.61	555.30	0.00
GNMA	2001 A-E RMRB	4.80	12/04/03	12/20/33	88,972.32	88,030.70			(467.26)		88,505.06	88,462.16	898.72	0.00
GNMA	2001 A-E RMRB	5.49	12/04/03	11/20/33	5,168.92	5,304.27			(19.50)		5,149.42	5,303.29	18.52	0.00
GNMA	2001 A-E RMRB	4.80	12/11/03	12/20/33	54,140.58	53,567.60			(8,274.67)		45,865.91	45,843.67	550.74	0.00
GNMA	2001 A-E RMRB	5.49	12/11/03	09/20/33	11,182.58	11,475.37			(37.26)		11,145.32	11,478.33	40.22	0.00
GNMA	2001 A-E RMRB	5.49	12/18/03	12/20/33	5,801.85	5,953.83			(19.11)		5,782.74	5,955.59	20.87	0.00
GNMA	2001 A-E RMRB	4.80	12/18/03	12/20/33	46,949.52	46,684.03			(184.91)		46,764.61	46,975.72	476.60	0.00
GNMA	2001 A-E RMRB	5.49	12/23/03	12/20/33	12,040.86	12,356.16			(40.51)		12,000.35	12,358.96	43.31	0.00
GNMA	2001 A-E RMRB	4.80	12/23/03	12/20/33	33,263.35	32,911.32			(123.51)		33,139.84	33,123.77	335.96	0.00
GNMA	2001 A-E RMRB	4.80	01/08/04	12/20/33	10,312.79	10,254.49			(38.18)		10,274.61	10,321.00	104.69	0.00
GNMA	2001 A-E RMRB	5.49	01/15/04	01/20/34	55,176.65	56,606.96			(269.17)		54,907.48	56,539.85	202.06	0.00
GNMA	2001 A-E RMRB	5.49	01/22/04	01/20/34	41,502.45	42,474.39			(189.50)		41,312.95	42,436.90	152.01	0.00
GNMA	2001 A-E RMRB	4.80	01/22/04	01/20/34	40,101.56	39,850.08			(148.98)		39,952.58	40,115.98	414.88	0.00
GNMA	2001 A-E RMRB	5.49	01/29/04	01/20/34	21,180.20	21,729.26			(84.67)		21,095.53	21,722.71	78.12	0.00
GNMA	2001 A-E RMRB	4.80	01/29/04	11/20/33	8,742.37	8,692.95			(86.76)		8,655.61	8,694.70	88.51	0.00
GNMA	2001 A-E RMRB	4.80	02/12/04	01/20/34	21,553.42	21,312.06			(93.42)		21,460.00	21,440.28	221.64	0.00
GNMA	2001 A-E RMRB	5.49	02/12/04	02/20/34	44,784.47	45,945.42			(169.07)		44,615.40	45,941.83	165.48	0.00
GNMA	2001 A-E RMRB	4.80	02/26/04	02/20/34	43,276.99	42,792.32			(178.92)		43,098.07	43,058.46	445.06	0.00
GNMA	2001 A-E RMRB	5.49	02/26/04	02/20/34	22,562.10	23,089.44			(105.01)		22,457.09	23,067.00	82.57	0.00
GNMA	2001 A-E RMRB	4.80	03/11/04	03/20/34	26,385.41	26,089.91			(97.33)		26,288.08	26,263.92	271.34	0.00
GNMA	2001 A-E RMRB	5.49	03/11/04	03/20/34	74,763.29	76,701.35			(397.61)		74,365.68	76,576.56	272.82	0.00
GNMA	2001 A-E RMRB	5.49	03/25/04	03/20/34	29,636.33	30,330.36			(97.12)		29,539.21	30,342.83	109.59	0.00
GNMA	2001 A-E RMRB	4.80	03/30/04	03/20/34	11,440.05	11,368.31			(41.88)		11,398.17	11,444.78	119.35	0.00
GNMA	2001 A-E RMRB	5.49	07/09/04	07/20/34	15,957.48	16,371.14			(126.67)		15,830.81	16,301.46	56.99	0.00
GNMA	2001 A-E RMRB	4.80	07/08/04	06/20/34	10,124.85	10,011.44			(37.08)		10,087.77	10,078.48	104.12	0.00
GNMA	2001 A-E RMRB	4.80	04/22/04	04/20/34	32,262.99	32,060.67			(122.46)		32,140.53	32,271.98	333.77	0.00
GNMA	2001 A-E RMRB	5.49	04/22/04	04/20/34	26,321.62	27,003.96			(100.87)		26,220.75	27,000.29	97.20	0.00
GNMA	2001 A-E RMRB	4.80	04/29/04	04/20/34	23,462.85	23,200.09			(99.28)		23,363.57	23,342.10	241.29	0.00
GNMA	2001 A-E RMRB	5.49	04/29/04	04/20/34	11,031.42	11,317.39			(41.51)		10,989.91	11,316.65	40.77	0.00
GNMA	2001 A-E RMRB	4.80	05/06/04	04/20/34	18,189.77	18,075.71			(67.68)		18,122.09	18,196.23	188.20	0.00
GNMA	2001 A-E RMRB	5.49	05/06/04	04/20/34	7,205.12	7,391.92			(22.99)		7,182.13	7,395.66	26.73	0.00
GNMA	2001 A-E RMRB	5.49	05/13/04	04/20/34	11,258.19	11,550.04			(49.61)		11,208.58	11,541.82	41.39	0.00
GNMA	2001 A-E RMRB	4.80	05/13/04	04/20/34	11,396.08	11,324.62			(41.51)		11,354.57	11,401.01	117.90	0.00
GNMA	2001 A-E RMRB	5.49	05/27/04	05/20/34	19,486.23	19,991.38			(63.55)		19,422.68	20,000.13	72.30	0.00
GNMA	2001 A-E RMRB	5.49	06/03/04	05/20/34	17,967.17	18,432.93			(73.95)		17,893.22	18,425.19	66.21	0.00
GNMA	2001 A-E RMRB	5.49	06/24/04	06/20/34	14,151.07	14,517.92			(44.63)		14,106.44	14,525.82	52.53	0.00
GNMA	2001 A-E RMRB	5.49	09/02/04	08/20/34	40,471.25	41,419.00			(127.50)		40,343.75	41,441.29	149.79	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	5.49	09/09/04	09/20/34	29,735.58	30,506.41			(96.21)		29,639.37	30,520.54	110.34	0.00
GNMA	2001 A-E RMRB	5.49	09/16/04	09/20/34	25,982.89	26,656.44			(81.12)		25,901.77	26,671.83	96.51	0.00
GNMA	2001 A-E RMRB	5.49	09/23/04	09/20/34	11,965.16	12,275.32			(40.12)		11,925.04	12,279.57	44.37	0.00
GNMA	2001 A-E RMRB	4.80	09/29/04	09/20/34	14,359.20	14,269.17			(50.54)		14,308.66	14,367.18	148.55	0.00
GNMA	2001 A-E RMRB	5.49	09/29/04	09/20/34	17,201.49	17,647.39			(54.67)		17,146.82	17,656.58	63.86	0.00
GNMA	2001 A-E RMRB	5.49	10/07/04	09/20/34	20,107.84	20,629.09			(64.14)		20,043.70	20,639.59	74.65	0.00
GNMA	2001 A-E RMRB	4.80	10/07/04	09/20/34	14,208.96	14,119.86			(50.04)		14,158.92	14,216.85	147.03	0.00
GNMA	2001 A-E RMRB	5.49	07/15/04	04/20/34	12,229.18	12,546.20			(39.30)		12,189.88	12,552.29	45.39	0.00
GNMA	2001 A-E RMRB	5.49	07/22/04	07/20/34	11,865.90	12,173.50			(37.34)		11,828.56	12,180.23	44.07	0.00
GNMA	2001 A-E RMRB	5.49	07/29/04	07/20/34	6,753.05	6,928.09			(21.17)		6,731.88	6,931.99	25.07	0.00
GNMA	2001 A-E RMRB	5.49	08/05/04	08/20/34	27,040.41	27,741.39			(92.10)		26,948.31	27,749.51	100.22	0.00
GNMA	2001 A-E RMRB	5.49	08/19/04	08/20/34	23,367.93	23,973.68			(105.86)		23,262.07	23,953.64	85.82	0.00
GNMA	2001 A-E RMRB	5.49	08/26/04	08/20/34	13,824.86	14,183.21			(43.33)		13,781.53	14,191.23	51.35	0.00
GNMA	2001 A-E RMRB	5.49	12/02/04	11/20/34	38,994.91	40,005.77			(199.79)		38,795.12	39,948.51	142.53	0.00
GNMA	2001 A-E RMRB	4.80	12/02/04	11/20/34	26,578.11	26,411.44			(94.68)		26,483.43	26,591.76	275.00	0.00
GNMA	2001 A-E RMRB	4.80	10/14/04	09/20/34	3,457.20	3,435.52			(12.87)		3,444.33	3,458.42	35.77	0.00
GNMA	2001 A-E RMRB	5.49	10/21/04	06/20/34	10,701.92	10,952.55			(38.23)		10,667.55	10,957.77	39.59	0.00
GNMA	2001 A-E RMRB	4.80	10/28/04	09/20/34	10,741.13	10,620.84			(48.03)		10,702.90	10,693.07	110.46	0.00
GNMA	2001 A-E RMRB	5.49	10/28/04	10/20/34	15,193.74	15,587.59			(77.56)		15,145.71	15,595.97	56.41	0.00
GNMA	2001 A-E RMRB	5.49	11/04/04	10/20/34	7,376.32	7,567.53			(154.35)		7,298.76	7,515.75	25.78	0.00
GNMA	2001 A-E RMRB	5.49	12/29/04	12/20/34	48,366.18	49,619.96			(53.44)		48,211.83	49,645.15	179.54	0.00
GNMA	2001 A-E RMRB	4.80	12/29/04	12/20/34	15,437.56	15,340.75			(34.62)		15,384.12	15,447.03	159.72	0.00
GNMA	2001 A-E RMRB	5.49	01/06/05	01/20/35	11,441.68	11,736.79			(13,843.33)		11,407.06	11,745.74	43.57	0.00
GNMA	2001 A-E RMRB	5.49	01/13/05	12/20/34	32,149.53	31,272.29			(18,363.00)		18,306.20	18,850.44	1,421.48	0.00
GNMA	2001 A-E RMRB				18,363.00	18,839.03			(188.63)		59,378.97	60,991.99	225.87	0.00
GNMA	2001 A-E RMRB	5.49	01/27/05	01/20/35	59,567.60	60,954.75					12,110.79	12,470.85	360.06	0.00
GNMA	2001 A-E RMRB	5.49	03/10/05	12/20/34			12,110.79				7,328.31	7,545.89	217.58	0.00
GNMA	2001 A-E RMRB	5.49	04/21/05	04/20/35			7,328.31				6,782.67	6,984.04	201.37	0.00
GNMA	2001 A-E RMRB	5.49	05/05/05	03/20/35			6,782.67				6,984.04	7,048.04	63.00	0.00
FNMA	2001 A-E RMRB	5.49	05/29/03	04/01/33	29,546.02	29,963.11			(101.58)		29,444.44	30,017.50	155.97	0.00
FNMA	2001 A-E RMRB	4.80	09/18/03	07/01/33	13,729.47	13,490.54			(52.80)		13,676.67	13,604.13	166.39	0.00
FNMA	2001 A-E RMRB	5.49	12/04/03	11/01/33	16,427.30	16,659.25			(58.95)		16,368.35	16,686.97	86.67	0.00
FNMA	2001 A-E RMRB	4.80	01/15/04	11/01/33	35,489.56	34,871.93			(454.77)		35,034.79	34,848.91	431.75	0.00
FNMA	2001 A-E RMRB	4.80	02/26/04	01/01/34	12,254.55	12,024.57			(58.66)		12,195.89	12,124.11	158.20	0.00
FNMA	2001 A-E RMRB	5.49	04/08/04	06/01/33	7,935.08	8,047.10			(34.73)		7,900.35	8,054.11	41.74	0.00
FNMA	2001 A-E RMRB	5.49	09/01/04	08/01/34	28,197.21	28,730.84			(90.04)		28,107.17	28,778.75	137.95	0.00
FNMA	2001 A-E RMRB	4.80	09/23/04	08/01/34	7,112.61	6,979.12			(25.60)		7,087.01	7,045.29	91.77	0.00
FNMA	2001 A-E RMRB	4.80	11/10/04	10/01/34	7,072.35	6,939.60			(24.87)		7,047.48	7,005.98	91.25	0.00
FNMA	2001 A-E RMRB	5.49	04/07/05	01/01/35			10,372.44				10,372.44	10,567.53	195.09	0.00
2001 A-E RMRB Total					71,821,542.41	73,518,596.09	2,807,361.51	(169.17)	(1,929,114.77)	0.00	72,699,619.98	74,633,005.65	236,331.99	
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	59,079.47	59,079.47	3,257.78				62,337.25	62,337.25	-	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	157,204.05	157,204.05			(12,081.71)		145,122.34	145,122.34	-	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	97,495.93	97,495.93			(79,317.19)		18,178.74	18,178.74	-	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	454,243.99	454,243.99	3,180.10				457,424.09	457,424.09	-	0.00
GICs	2002 RMRB	4.20	12/18/02	04/01/34	679,593.01	679,593.01	944,654.32				1,624,247.33	1,624,247.33	-	0.00
Mutual Fund	2002 RMRB	2.65	05/01/05	06/01/05	1.46	1.46	0.00				1.46	1.46	-	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	67.78	67.78	0.62				68.40	68.40	-	0.00
GNMA	2002 RMRB	5.49	03/12/03	03/20/33	41,022.85	42,097.07			(141.76)		40,881.09	42,102.69	147.38	0.00
GNMA	2002 RMRB	5.49	03/20/03	02/20/33	99,436.33	102,040.10			(347.03)		99,089.30	102,050.23	357.16	0.00
GNMA	2002 RMRB	5.49	04/02/03	03/20/33	319,948.72	328,326.68			(1,181.26)		318,767.46	328,292.67	1,147.25	0.00
GNMA	2002 RMRB	4.80	04/02/03	03/20/33	95,366.30	94,826.96			(555.86)		94,810.44	95,238.39	967.29	0.00
GNMA	2002 RMRB	5.49	04/10/03	03/20/33	144,686.41	148,475.05			(99,392.16)		45,294.25	46,647.67	(2,435.22)	0.00
GNMA	2002 RMRB	4.80	04/10/03	04/20/33	588,936.14	585,605.62			(2,321.96)		586,614.18	589,262.16	5,978.50	0.00
GNMA	2002 RMRB	5.49	04/17/03	04/20/33	624,103.17	640,445.53			(2,474.79)		621,628.38	640,203.50	2,232.76	0.00
GNMA	2002 RMRB	4.80	04/17/03	03/20/33	80,543.64	80,088.15			(314.48)		80,229.16	80,591.30	817.63	0.00
GNMA	2002 RMRB	4.80	04/24/03	04/20/33	198,243.69	197,122.57			(768.09)		197,475.60	198,366.98	2,012.50	0.00
GNMA	2002 RMRB	5.49	04/29/03	04/20/33	109,503.17	112,370.57			(382.00)		109,121.17	112,381.88	393.31	0.00
GNMA	2002 RMRB	4.80	04/29/03	03/20/33	82,123.65	81,659.15			(414.48)		81,709.17	82,077.93	833.26	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2002 RMRB	5.49	05/08/03	05/20/33	336,630.46	345,445.24			(1,156.96)		335,473.50	345,497.92	1,209.64	0.00
GNMA	2002 RMRB	5.49	05/15/03	05/20/33	127,274.01	130,608.14			(438.40)		126,835.61	130,627.06	457.32	0.00
GNMA	2002 RMRB	4.80	05/15/03	04/20/33	325,500.77	323,660.03			(1,839.38)		323,661.39	325,120.40	3,301.75	0.00
GNMA	2002 RMRB	5.49	05/22/03	05/20/33	315,785.36	324,054.28			(1,253.67)		314,531.69	323,930.31	1,129.70	0.00
GNMA	2002 RMRB	4.80	05/22/03	04/20/33	221,377.38	220,125.42			(860.25)		220,517.11	221,512.51	2,247.34	0.00
GNMA	2002 RMRB	5.49	05/29/03	05/20/33	268,226.66	275,250.24			(942.96)		267,283.70	275,270.49	963.21	0.00
GNMA	2002 RMRB	4.80	05/29/03	05/20/33	168,752.34	167,798.01			(656.29)		168,096.05	168,854.83	1,713.11	0.00
GNMA	2002 RMRB	5.49	06/10/03	05/20/33	174,515.22	179,084.96			(616.84)		173,898.38	179,094.71	626.59	0.00
GNMA	2002 RMRB	4.80	06/10/03	05/20/33	301,599.67	299,894.08			(1,190.93)		300,408.74	301,764.78	3,061.63	0.00
GNMA	2002 RMRB	5.49	06/19/03	06/20/33	96,577.96	99,106.91			(330.90)		96,247.06	99,123.08	347.07	0.00
GNMA	2002 RMRB	4.80	06/19/03	06/20/33	88,698.86	88,197.23			(339.75)		88,359.11	88,757.93	900.45	0.00
GNMA	2002 RMRB	5.49	06/19/03	06/20/33	209,750.18	215,242.55			(726.44)		209,023.74	215,269.66	753.55	0.00
GNMA	2002 RMRB	4.80	06/19/03	06/20/33	56,603.25	56,283.16			(220.59)		56,382.66	56,637.19	574.62	0.00
GNMA	2002 RMRB	5.49	06/26/03	06/20/33	42,818.26	43,939.45			(145.81)		42,672.45	43,947.52	153.88	0.00
GNMA	2002 RMRB	4.80	06/28/03	06/20/33	91,579.04	91,061.16			(359.40)		91,219.64	91,631.43	929.67	0.00
GNMA	2002 RMRB	5.49	07/03/03	06/20/33	127,422.19	130,758.77			(435.04)		126,987.15	130,781.70	457.97	0.00
GNMA	2002 RMRB	5.49	07/10/03	06/20/33	272,640.66	279,779.83			(941.15)		271,699.51	279,818.25	979.57	0.00
GNMA	2002 RMRB	4.80	07/10/03	06/20/33	120,772.09	120,089.11			(465.43)		120,306.66	120,849.74	1,226.06	0.00
GNMA	2002 RMRB	4.80	07/17/03	06/20/33	652,539.03	648,848.83			(3,896.81)		648,642.22	651,570.20	6,618.18	0.00
GNMA	2002 RMRB	5.49	07/24/03	07/20/33	333,505.09	342,238.01			(1,229.35)		332,275.74	342,204.57	1,195.91	0.00
GNMA	2002 RMRB	4.80	07/24/03	07/20/33	333,130.32	331,246.44			(1,631.20)		331,499.12	332,995.53	3,380.29	0.00
GNMA	2002 RMRB	5.49	07/30/03	07/20/33	100,459.07	103,089.62			(343.39)		100,115.68	103,107.27	361.04	0.00
GNMA	2002 RMRB	5.49	08/07/03	07/20/33	233,438.26	239,550.91			(1,073.73)		232,364.53	239,307.89	830.71	0.00
GNMA	2002 RMRB	4.80	08/07/03	06/20/33	91,980.69	91,460.54			(352.34)		91,628.35	92,041.98	933.78	0.00
GNMA	2002 RMRB	5.49	08/14/03	08/20/33	136,611.16	140,188.37			(464.56)		136,146.60	140,214.85	491.04	0.00
GNMA	2002 RMRB	4.80	08/14/03	07/20/33	267,963.93	266,448.57			(1,022.66)		266,941.27	268,146.27	2,720.36	0.00
GNMA	2002 RMRB	5.49	08/21/03	08/20/33	103,457.77	106,166.85			(464.05)		102,993.72	106,071.32	368.52	0.00
GNMA	2002 RMRB	5.49	08/28/03	08/20/33	180,615.54	185,345.02			(83,053.43)		97,562.11	100,477.41	(1,814.18)	0.00
GNMA	2002 RMRB	4.80	08/28/03	08/20/33	109,430.43	108,811.60			(599.25)		108,831.18	109,322.45	1,110.10	0.00
GNMA	2002 RMRB	5.49	09/04/03	08/20/33	134,284.53	137,800.81			(555.42)		133,729.11	137,725.11	479.72	0.00
GNMA	2002 RMRB	4.80	09/04/03	09/20/33	94,327.76	93,794.33			(355.51)		93,972.25	94,396.44	975.62	0.00
GNMA	2002 RMRB	5.49	09/18/03	09/20/33	439,325.64	450,829.50			(1,495.92)		437,829.72	450,912.63	1,579.05	0.00
GNMA	2002 RMRB	4.80	09/18/03	09/20/33	390,463.84	388,255.72			(1,480.75)		388,983.09	390,738.97	3,964.00	0.00
GNMA	2002 RMRB	5.49	09/18/03	09/20/33	250,317.57	256,872.19			(854.52)		249,463.05	256,917.31	899.64	0.00
GNMA	2002 RMRB	4.80	09/18/03	09/20/33	142,021.38	141,218.21			(623.33)		141,398.05	142,036.31	1,441.43	0.00
GNMA	2002 RMRB	5.49	09/29/03	09/20/33	556,995.20	571,580.27			(2,390.61)		554,604.59	571,176.91	1,987.25	0.00
GNMA	2002 RMRB	4.80	09/29/03	09/20/33	388,705.10	386,506.90			(1,505.88)		387,199.22	388,947.02	3,946.00	0.00
GNMA	2002 RMRB	5.49	10/16/03	09/20/33	83,461.95	85,647.42			(279.76)		83,182.19	85,667.77	300.11	0.00
GNMA	2002 RMRB	5.49	10/30/03	10/20/33	676,491.69	692,511.60			(2,310.65)		674,181.04	692,624.43	2,423.48	0.00
GNMA	2002 RMRB	4.80	10/30/03	10/20/33	2,292,471.04	2,268,209.39			(9,900.81)		2,282,570.23	2,281,463.81	23,155.23	0.00
GNMA	2002 RMRB	5.49	11/13/03	10/20/33	174,343.74	178,472.33			(796.00)		173,547.74	178,295.40	619.07	0.00
GNMA	2002 RMRB	4.80	11/13/03	10/20/33	1,172,887.97	1,166,255.12			(5,171.74)		1,167,716.23	1,172,987.30	11,903.92	0.00
GNMA	2002 RMRB	5.49	11/20/03	11/20/33	46,086.12	47,292.90			(352.72)		45,733.40	47,099.98	159.80	0.00
GNMA	2002 RMRB	4.80	11/20/03	11/20/33	1,442,277.28	1,427,013.39			(8,148.58)		1,434,128.70	1,433,433.54	14,568.73	0.00
GNMA	2002 RMRB	5.49	11/26/03	10/20/33	55,205.17	56,650.74			(184.70)		55,020.47	56,664.56	198.52	0.00
GNMA	2002 RMRB	4.80	11/26/03	11/20/33	447,403.53	444,873.40			(2,330.00)		445,073.53	447,082.61	4,539.21	0.00
GNMA	2002 RMRB	4.80	12/04/03	12/20/33	727,287.35	719,590.37			(3,819.46)		723,467.89	723,117.23	7,346.32	0.00
GNMA	2002 RMRB	5.49	12/04/03	11/20/33	42,252.41	43,358.81			(159.46)		42,092.95	43,350.75	151.40	0.00
GNMA	2002 RMRB	4.80	12/11/03	12/20/33	442,561.96	437,878.23			(67,639.76)		374,922.20	374,740.45	4,501.98	0.00
GNMA	2002 RMRB	5.49	12/11/03	09/20/33	91,409.71	93,803.31			(304.58)		91,105.13	93,827.50	328.77	0.00
GNMA	2002 RMRB	5.49	12/18/03	12/20/33	47,426.55	48,668.38			(156.20)		47,270.35	48,682.81	170.63	0.00
GNMA	2002 RMRB	4.80	12/18/03	12/20/33	383,780.16	381,609.83			(1,511.48)		382,268.68	383,994.26	3,895.91	0.00
GNMA	2002 RMRB	5.49	12/23/03	12/20/33	98,425.77	101,003.07			(331.03)		98,094.74	101,025.93	353.89	0.00
GNMA	2002 RMRB	4.80	12/23/03	12/20/33	271,905.02	269,027.41			(1,009.66)		270,895.36	270,764.07	2,746.32	0.00
GNMA	2002 RMRB	4.80	01/08/04	12/20/33	84,300.06	83,823.33			(312.16)		83,987.90	84,367.02	855.85	0.00
GNMA	2002 RMRB	5.49	01/15/04	01/20/34	451,030.93	462,722.91			(2,200.24)		448,830.69	462,174.38	1,651.71	0.00
GNMA	2002 RMRB	5.49	01/22/04	01/20/34	339,254.10	347,198.87			(1,548.98)		337,705.12	346,892.48	1,242.59	0.00
GNMA	2002 RMRB	4.80	01/22/04	01/20/34	327,802.72	325,747.02			(1,217.88)		326,584.84	327,920.53	3,391.39	0.00
GNMA	2002 RMRB	5.49	01/29/04	01/20/34	173,133.60	177,621.70			(692.04)		172,441.56	177,568.21	638.55	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
GNMA	2002 RMRB	4.80	01/29/04	11/20/33	71,463.07	71,058.93			(709.21)		70,753.66	71,073.24	323.52	0.00
GNMA	2002 RMRB	4.80	02/12/04	01/20/34	176,184.46	174,211.36			(763.80)		175,420.66	175,259.48	1,811.92	0.00
GNMA	2002 RMRB	5.49	02/12/04	02/20/34	366,082.37	375,572.21			(1,382.01)		364,700.36	375,542.84	1,352.64	0.00
GNMA	2002 RMRB	4.80	02/26/04	02/20/34	353,759.52	349,797.70			(1,462.55)		352,296.97	351,973.23	3,638.08	0.00
GNMA	2002 RMRB	5.49	02/26/04	02/20/34	184,421.42	188,740.25			(858.42)		183,563.00	188,556.86	675.03	0.00
GNMA	2002 RMRB	4.80	03/11/04	03/20/34	215,682.53	213,267.04			(795.55)		214,886.98	214,689.49	2,218.00	0.00
GNMA	2002 RMRB	5.49	03/11/04	03/20/34	611,138.43	626,980.82			(3,250.14)		607,888.29	625,960.72	2,230.04	0.00
GNMA	2002 RMRB	5.49	03/25/04	03/20/34	242,256.55	247,929.80			(793.89)		241,462.66	248,031.72	895.81	0.00
GNMA	2002 RMRB	4.80	03/30/04	03/20/34	93,514.50	92,928.08			(342.41)		93,172.09	93,553.18	967.51	0.00
GNMA	2002 RMRB	5.49	07/09/04	07/20/34	130,441.40	133,822.80			(1,035.44)		129,405.96	133,253.18	465.82	0.00
GNMA	2002 RMRB	4.80	07/08/04	06/20/34	82,763.47	81,836.60			(303.10)		82,460.37	82,384.61	851.11	0.00
GNMA	2002 RMRB	4.80	04/22/04	04/20/34	263,727.72	262,073.85			(1,000.99)		262,726.73	263,801.24	2,728.38	0.00
GNMA	2002 RMRB	5.49	04/22/04	04/20/34	215,161.29	220,738.85			(824.64)		214,336.65	220,708.84	794.63	0.00
GNMA	2002 RMRB	4.80	04/29/04	04/20/34	191,792.68	189,644.77			(811.56)		190,981.12	190,805.62	1,972.41	0.00
GNMA	2002 RMRB	5.49	04/29/04	04/20/34	90,174.32	92,511.88			(339.28)		89,835.04	92,505.81	333.21	0.00
GNMA	2002 RMRB	4.80	05/06/04	04/20/34	148,689.00	147,756.53			(553.15)		148,135.85	148,741.68	1,538.30	0.00
GNMA	2002 RMRB	5.49	05/06/04	04/20/34	58,897.04	60,423.81			(188.08)		58,708.96	60,454.37	218.64	0.00
GNMA	2002 RMRB	5.49	05/13/04	04/20/34	92,027.95	94,413.57			(405.43)		91,622.52	94,346.45	338.31	0.00
GNMA	2002 RMRB	4.80	05/13/04	04/20/34	93,155.21	92,571.02			(339.37)		92,815.84	93,195.44	963.79	0.00
GNMA	2002 RMRB	5.49	05/27/04	05/20/34	159,286.66	163,415.82			(519.49)		158,767.17	163,487.31	590.98	0.00
GNMA	2002 RMRB	5.49	06/03/04	05/20/34	146,869.23	150,676.50			(604.46)		146,264.77	150,613.23	541.19	0.00
GNMA	2002 RMRB	5.49	06/24/04	06/20/34	115,675.38	118,674.00			(364.94)		115,310.44	118,738.61	429.55	0.00
GNMA	2002 RMRB	5.49	09/02/04	08/20/34	330,824.49	338,571.87			(1,042.23)		329,782.26	338,754.10	1,224.46	0.00
GNMA	2002 RMRB	5.49	09/10/04	09/20/34	243,067.92	249,368.90			(786.53)		242,281.39	249,484.39	902.02	0.00
GNMA	2002 RMRB	5.49	09/16/04	09/20/34	212,392.26	217,898.05			(663.10)		211,729.16	218,023.85	788.90	0.00
GNMA	2002 RMRB	5.49	09/10/04	09/20/34	97,806.87	100,342.30			(327.87)		97,479.00	100,377.03	362.60	0.00
GNMA	2002 RMRB	4.80	09/29/04	09/20/34	117,376.72	116,640.63			(413.25)		116,963.47	117,441.84	1,214.46	0.00
GNMA	2002 RMRB	5.49	09/29/04	09/20/34	140,610.28	144,255.29			(446.94)		140,163.34	144,330.39	522.04	0.00
GNMA	2002 RMRB	5.49	10/07/04	09/20/34	164,367.62	168,628.48			(524.22)		163,843.40	168,714.43	610.17	0.00
GNMA	2002 RMRB	4.80	10/07/04	09/20/34	116,148.53	115,420.15			(408.94)		115,739.59	116,212.95	1,201.74	0.00
GNMA	2002 RMRB	5.49	07/15/04	04/20/34	99,965.20	102,556.58			(321.27)		99,643.93	102,606.34	371.03	0.00
GNMA	2002 RMRB	5.49	07/22/04	07/20/34	96,995.62	99,510.01			(305.17)		96,690.45	99,565.03	360.19	0.00
GNMA	2002 RMRB	5.49	07/29/04	07/20/34	55,201.37	56,832.35			(173.12)		55,028.25	56,664.24	205.01	0.00
GNMA	2002 RMRB	5.49	08/05/04	08/20/34	221,036.86	226,766.74			(752.75)		220,284.11	226,833.12	819.13	0.00
GNMA	2002 RMRB	5.49	08/19/04	08/20/34	191,016.71	195,968.37			(865.36)		190,151.35	195,804.50	701.49	0.00
GNMA	2002 RMRB	5.49	08/26/04	08/20/34	113,008.49	115,938.00			(354.16)		112,654.33	116,003.54	419.70	0.00
GNMA	2002 RMRB	5.49	12/02/04	11/20/34	318,756.55	327,019.60			(1,633.09)		317,123.46	326,551.51	1,165.00	0.00
GNMA	2002 RMRB	4.80	12/02/04	11/20/34	217,257.81	215,895.34			(773.86)		216,483.95	217,369.32	2,247.84	0.00
GNMA	2002 RMRB	4.80	10/14/04	09/20/34	28,260.21	28,082.98			(105.20)		28,155.01	28,270.15	292.37	0.00
GNMA	2002 RMRB	5.49	10/21/04	06/20/34	87,480.84	89,529.48			(280.95)		87,199.89	89,572.17	323.64	0.00
GNMA	2002 RMRB	4.80	10/28/04	09/20/34	87,801.43	86,818.12			(312.54)		87,488.89	87,408.49	902.91	0.00
GNMA	2002 RMRB	5.49	10/28/04	10/20/34	124,198.25	127,417.82			(392.66)		123,805.59	127,486.33	461.17	0.00
GNMA	2002 RMRB	5.49	11/04/04	10/20/34	60,296.31	61,859.34			(633.94)		59,662.37	61,436.09	210.69	0.00
GNMA	2002 RMRB	5.49	12/29/04	12/20/34	395,360.25	405,609.07			(1,261.75)		394,098.50	405,814.98	1,467.66	0.00
GNMA	2002 RMRB	4.80	12/29/04	12/20/34	126,191.44	125,400.08			(436.94)		125,754.50	126,268.83	1,305.69	0.00
GNMA	2002 RMRB	5.49	01/06/05	01/20/35	93,527.94	95,940.16			(282.97)		93,244.97	96,013.38	356.19	0.00
GNMA	2002 RMRB				262,800.24	255,629.47			(262,800.24)				7,170.77	0.00
GNMA	2002 RMRB	5.49	01/13/05	12/20/34	150,104.95	153,996.08			(464.36)		149,640.59	154,089.38	557.66	0.00
GNMA	2002 RMRB	5.49	01/27/05	01/20/35	486,924.06	498,263.08			(1,541.86)		485,382.20	498,567.54	1,846.32	0.00
GNMA	2002 RMRB	5.49	03/10/05	12/20/34			98,997.43				98,997.43	101,940.61	2,943.18	0.00
GNMA	2002 RMRB	5.49	04/21/05	04/20/35			59,903.93				59,903.93	61,682.44	1,778.51	0.00
GNMA	2002 RMRB	5.49	05/05/05	03/20/35			55,443.65				55,443.65	57,089.74	1,646.09	0.00
FNMA	2002 RMRB	5.49	05/29/03	04/01/33	241,518.24	244,927.76			(830.29)		240,687.95	245,372.34	1,274.65	0.00
FNMA	2002 RMRB	4.80	09/18/03	07/01/33	112,229.03	110,275.93			(431.51)		111,797.52	111,204.40	1,359.98	0.00
FNMA	2002 RMRB	5.49	12/04/03	11/01/33	134,282.20	136,177.87			(481.82)		133,800.38	136,404.47	708.42	0.00
FNMA	2002 RMRB	4.80	01/15/04	11/01/33	290,102.61	285,054.06			(3,717.46)		286,385.15	284,865.82	3,529.22	0.00
FNMA	2002 RMRB	4.80	02/26/04	01/01/34	100,172.72	98,292.56			(479.49)		99,693.23	99,106.24	1,293.17	0.00
FNMA	2002 RMRB	5.49	04/08/04	06/01/33	64,863.85	65,779.54			(283.92)		64,579.93	65,836.82	341.20	0.00
FNMA	2002 RMRB	5.49	09/02/04	08/01/34	230,482.88	234,854.84			(735.98)		229,756.90	235,246.46	1,127.60	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
FNMA	2002 RMRB	4.80	09/01/04	08/01/34	58,140.76	57,049.51			(209.26)		57,931.50	57,590.41	750.16	0.00
FNMA	2002 RMRB	4.80	11/10/04	10/01/34	57,811.51	56,726.43			(203.25)		57,608.26	57,269.06	745.88	0.00
GNMA	2002 RMRB	5.49	04/07/05	01/01/35			84,787.51				84,787.51	86,382.32	1,594.81	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	7,046,591.26	7,046,591.26		(11,927.25)			7,034,664.01	7,034,664.01	-	0.00
Repo Agmt	2002 RMRB	3.03	05/31/05	06/01/05	49,979.54	49,979.54	354.30				50,333.84	50,333.84	-	0.00
2002 RMRB Total					39,117,023.26	39,355,067.78	1,250,579.64	(103,326.15)	(638,310.82)	0.00	39,625,965.93	40,087,472.03	223,461.58	0.00
Repo Agmt	1999 B-D RMRB	3.03	05/31/05	06/01/05	808,132.19	808,132.19		(737,659.18)			70,473.01	70,473.01	-	0.00
GICs	1999 B-D RMRB	6.40	12/02/99	07/01/32	2,081,115.13	2,081,115.13	2,687,071.68				4,768,186.81	4,768,186.81	-	0.00
Repo Agmt	1999 B-D RMRB	3.03	05/31/05	06/01/05	0.32	0.32	0.00				0.32	0.32	-	0.00
GICs	1999 B-D RMRB	6.40	12/02/99	07/01/32	763,529.39	763,529.39	0.00				763,529.39	763,529.39	-	0.00
GNMA	1999 B-D RMRB	8.18	04/01/91	01/20/21	31,471.95	34,405.29			(239.18)		31,232.77	34,136.59	(29.52)	0.00
GNMA	1999 B-D RMRB	8.18	08/01/90	06/20/20	263,906.91	288,101.48			(3,094.30)		260,812.61	284,634.37	(372.81)	0.00
GNMA	1999 B-D RMRB	7.18	08/01/90	06/20/20	79,218.01	85,001.37			(875.24)		78,342.77	83,918.91	(207.22)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	07/20/20	503,961.88	550,164.26			(5,785.47)		498,176.41	543,678.16	(700.63)	0.00
GNMA	1999 B-D RMRB	8.18	07/02/90	05/20/20	99,498.62	108,620.51			(2,118.41)		97,380.21	106,274.63	(227.47)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	09/20/20	248,141.58	270,890.76			(5,828.18)		242,313.40	264,445.46	(617.12)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	08/20/20	354,124.05	386,589.57			(3,659.27)		350,464.78	382,475.07	(455.23)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	07/20/20	124,307.05	135,703.30			(1,985.58)		122,321.47	133,483.88	(223.84)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	08/20/20	217,960.17	237,942.34			(37,722.92)		180,237.25	196,699.46	(3,519.96)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	09/20/20	145,696.01	159,053.16			(4,065.51)		141,630.50	154,566.53	(421.12)	0.00
GNMA	1999 B-D RMRB	7.18	11/01/90	09/20/20	148,080.34	158,890.91			(1,539.82)		146,540.52	156,970.63	(380.46)	0.00
GNMA	1999 B-D RMRB	8.18	12/03/90	10/20/20	118,510.78	129,375.61			(13,673.20)		104,837.58	114,413.06	(1,289.35)	0.00
GNMA	1999 B-D RMRB	8.75	12/28/89	09/20/18	1,410,099.93	1,558,394.27			(19,916.56)		1,390,183.37	1,516,054.35	(22,423.36)	0.00
GNMA	1999 B-D RMRB	8.75	11/30/89	10/20/18	107,526.91	118,835.10			(1,035.72)		106,491.19	116,133.21	(1,666.17)	0.00
GNMA	1999 B-D RMRB	8.75	11/30/89	09/20/18	108,890.73	120,342.33			(1,118.55)		107,772.18	117,530.18	(1,693.60)	0.00
GNMA	1999 B-D RMRB	8.75	01/01/90	11/20/18	327,055.35	361,450.41			(43,829.66)		283,225.69	308,869.71	(8,751.04)	0.00
GNMA	1999 B-D RMRB	8.75	01/01/90	12/20/18	126,205.59	139,478.05			(1,545.30)		124,660.29	135,947.32	(1,953.43)	0.00
GNMA	1999 B-D RMRB	8.75	02/27/90	01/20/19	208,348.05	230,719.87			(2,392.36)		205,955.69	224,996.82	(3,330.69)	0.00
GNMA	1999 B-D RMRB	8.75	05/29/90	04/20/19	159,280.92	176,384.02			(1,996.12)		157,284.80	171,826.15	(2,561.75)	0.00
GNMA	1999 B-D RMRB	8.75	06/28/90	05/20/19	53,388.29	59,120.98			(482.96)		52,905.33	57,796.57	(841.45)	0.00
GNMA	1999 B-D RMRB	7.18	02/01/91	11/20/20	150,544.81	161,535.37			(3,177.65)		147,367.16	157,856.20	(501.52)	0.00
GNMA	1999 B-D RMRB	8.18	02/25/91	11/20/20	139,118.19	151,872.27			(1,580.19)		137,538.00	150,100.20	(191.88)	0.00
GNMA	1999 B-D RMRB	7.18	05/02/91	02/20/21	215,574.47	231,420.81			(2,041.36)		213,533.11	228,853.85	(525.60)	0.00
GNMA	1999 B-D RMRB	8.75	09/28/90	08/20/19	129,043.32	142,899.55			(28,929.18)		100,114.14	109,369.88	(4,600.49)	0.00
GNMA	1999 B-D RMRB	8.75	10/23/90	09/20/19	72,535.09	80,323.72			(1,814.60)		70,720.49	77,258.80	(1,250.32)	0.00
GNMA	1999 B-D RMRB	8.75	11/28/90	09/20/19	145,357.33	160,965.34			(1,217.51)		144,139.82	157,465.86	(2,281.97)	0.00
GNMA	1999 B-D RMRB	8.75	12/21/90	09/20/19	56,041.82	62,059.43			(474.67)		55,567.15	60,704.47	(880.29)	0.00
GNMA	1999 B-D RMRB	8.75	01/25/91	12/20/19	191,393.88	211,945.18			(3,629.23)		187,764.65	205,123.94	(3,192.01)	0.00
GNMA	1999 B-D RMRB	8.75	02/22/91	12/20/19	28,888.27	31,990.17			(242.06)		28,646.21	31,294.58	(453.53)	0.00
GNMA	1999 B-D RMRB	8.75	03/28/91	02/20/20	54,633.62	60,598.88			(475.89)		54,157.73	59,264.38	(858.61)	0.00
GNMA	1999 B-D RMRB	8.75	03/28/91	12/20/19	60,723.04	67,243.30			(499.46)		60,223.58	65,791.39	(952.45)	0.00
GNMA	1999 B-D RMRB	8.18	05/02/91	03/20/21	214,578.32	234,578.30			(2,122.77)		212,455.55	232,208.56	(246.97)	0.00
GNMA	1999 B-D RMRB	6.10	07/28/00	07/20/30	2,077,782.39	2,154,660.34			(79,513.20)		1,998,269.19	2,063,612.60	(11,534.54)	0.00
FNMA	1999 B-D RMRB	6.10	04/28/00	04/01/30	180,794.52	187,122.33			(747.88)		180,046.64	185,640.69	(733.76)	0.00
GNMA	1999 B-D RMRB	6.10	04/20/00	04/20/30	1,530,776.19	1,587,414.90			(8,820.10)		1,521,956.09	1,571,724.05	(6,870.75)	0.00
GNMA	1999 B-D RMRB	6.10	04/27/00	04/20/30	1,669,394.21	1,731,161.76			(8,197.75)		1,661,196.46	1,715,517.54	(7,446.47)	0.00
GNMA	1999 B-D RMRB	6.10	06/26/00	06/20/30	2,340,890.40	2,427,503.33			(220,641.22)		2,120,249.18	2,189,581.31	(17,280.80)	0.00
GNMA	1999 B-D RMRB	6.10	05/30/00	03/20/30	2,846,947.61	2,952,284.71			(164,631.59)		2,682,316.02	2,770,027.78	(17,625.34)	0.00
FNMA	1999 B-D RMRB	6.10	05/30/00	05/01/30	295,368.78	305,706.68			(1,616.19)		293,752.59	302,879.47	(1,211.02)	0.00
FNMA	1999 B-D RMRB	6.10	06/26/00	06/01/30	103,387.12	107,005.67			(893.51)		102,493.61	105,678.09	(434.07)	0.00
GNMA	1999 B-D RMRB	6.10	09/14/00	08/20/30	3,596,630.52	3,729,705.87			(118,037.40)		3,478,593.12	3,592,343.13	(19,325.34)	0.00
GNMA	1999 B-D RMRB	6.10	10/19/00	09/20/30	1,124,718.62	1,166,333.24			(4,388.38)		1,120,330.24	1,156,965.08	(4,979.78)	0.00
GNMA	1999 B-D RMRB	6.10	10/23/00	10/20/30	385,978.89	400,260.10			(1,595.07)		384,383.82	396,953.16	(1,711.87)	0.00
GNMA	1999 B-D RMRB	6.10	10/27/00	10/20/30	273,188.17	283,296.12			(1,225.71)		271,962.46	280,855.62	(1,214.79)	0.00
GNMA	1999 B-D RMRB	6.10	10/30/00	10/20/30	273,420.86	283,537.41			(1,090.19)		272,330.67	281,235.86	(1,211.36)	0.00
FNMA	1999 B-D RMRB	6.10	07/24/00	07/01/30	120,480.40	124,697.22			(532.90)		119,947.50	123,674.27	(490.05)	0.00
GNMA	1999 B-D RMRB	6.10	01/16/01	12/20/30	115,192.30	119,454.42			(766.07)		114,406.23	118,147.31	(521.04)	0.00
GNMA	1999 B-D RMRB	6.10	01/29/01	12/20/30	141,764.99	147,010.29			(4,126.36)		137,638.63	142,139.41	(744.52)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	1999 B-D RMRB				16,390.77	16,997.23			(16,390.77)				(606.46)	0.00
GNMA	1999 B-D RMRB	6.10	12/21/00	11/20/30	621,340.30	644,329.88			(2,896.68)		618,443.62	638,666.72	(2,766.48)	0.00
GNMA	1999 B-D RMRB	6.10	12/27/00	12/20/30	366,418.16	379,975.63			(91,577.79)		274,840.37	283,827.65	(4,570.19)	0.00
GNMA	1999 B-D RMRB	6.10	02/20/01	01/20/31	192,984.46	200,059.25			(728.87)		192,255.59	198,442.35	(888.03)	0.00
GNMA	1999 B-D RMRB	6.10	03/15/01	03/20/31	215,306.95	223,200.10			(798.50)		214,508.45	221,411.32	(990.28)	0.00
GNMA	1999 B-D RMRB	6.10	03/29/01	03/20/31	109,360.66	113,369.82			(402.70)		108,957.96	112,484.23	(502.89)	0.00
GNMA	1999 B-D RMRB	6.10	05/10/01	04/20/31	815,793.75	845,700.76			(3,500.05)		812,293.70	838,433.31	(3,767.40)	0.00
FNMA	1999 B-D RMRB	6.10	09/11/00	08/01/30	1,051,717.98	1,088,528.11			(52,579.47)		999,138.51	1,030,181.75	(5,766.89)	0.00
FNMA	1999 B-D RMRB	6.10	10/06/00	10/01/30	123,031.74	127,337.85			(2,788.42)		120,243.32	123,979.28	(570.15)	0.00
GNMA	1999 B-D RMRB	6.10	05/30/01	05/20/31	492,860.56	510,928.83			(1,926.14)		490,934.42	506,732.69	(2,270.00)	0.00
GNMA	1999 B-D RMRB	6.10	06/18/01	04/20/31	226,571.53	234,877.64			(1,252.72)		225,318.81	232,569.57	(1,055.35)	0.00
GNMA	1999 B-D RMRB	6.10	07/25/01	06/20/31	693,969.62	719,410.54			(3,057.00)		690,912.62	713,146.18	(3,207.36)	0.00
GNMA	1999 B-D RMRB	6.10	08/31/01	08/20/31	724,486.03	751,045.68			(2,744.49)		721,741.54	744,967.17	(3,334.02)	0.00
FNMA	1999 B-D RMRB	6.10	12/27/00	11/01/30	160,981.48	166,615.82			(1,801.33)		159,180.15	164,125.87	(688.62)	0.00
FNMA	1999 B-D RMRB	6.10	01/12/01	12/01/30	116,770.77	120,857.75			(692.69)		116,078.08	119,684.63	(480.43)	0.00
FNMA	1999 B-D RMRB	6.10	02/05/01	01/01/31	310,242.48	321,100.97			(9,546.12)		270,696.36	279,106.90	(2,447.95)	0.00
GNMA	1999 B-D RMRB	6.10	12/27/01	10/20/31	67,411.01	69,882.30			(258.35)		67,152.66	69,313.63	(310.32)	0.00
GNMA	1999 B-D RMRB	6.10	09/20/01	08/20/31	422,270.30	437,750.72			(1,829.41)		420,440.89	433,970.66	(1,950.65)	0.00
GNMA	1999 B-D RMRB	6.10	09/28/01	09/20/31	76,219.38	79,013.58			(689.87)		75,529.51	77,960.05	(363.66)	0.00
GNMA	1999 B-D RMRB	6.10	10/17/01	09/20/31	186,209.17	193,035.60			(697.62)		185,511.55	191,481.31	(856.67)	0.00
GNMA	1999 B-D RMRB	6.10	10/30/01	05/20/31	43,783.47	45,388.57			(187.57)		43,595.90	44,998.82	(202.18)	0.00
FNMA	1999 B-D RMRB	6.10	03/15/01	02/01/31	372,435.34	385,470.58			(11,794.85)		360,640.49	371,845.59	(1,830.14)	0.00
GNMA	1999 B-D RMRB	6.10	01/22/02	12/20/31	183,060.46	189,771.46			(1,008.02)		182,052.44	187,910.89	(852.55)	0.00
GNMA	1999 B-D RMRB	6.10	01/30/02	01/20/32	177,085.99	183,542.54			(87,710.59)		89,375.40	92,213.07	(3,618.88)	0.00
GNMA	1999 B-D RMRB	6.10	02/25/02	02/20/32	1,073,599.94	1,112,743.40			(4,135.42)		1,069,464.52	1,103,420.02	(5,187.96)	0.00
GNMA	1999 B-D RMRB	6.10	05/24/02	05/20/32	246,159.15	255,134.11			(922.60)		245,236.55	253,022.81	(1,188.70)	0.00
GNMA	1999 B-D RMRB	6.10	03/21/02	03/20/32	794,749.51	823,726.13			(93,196.12)		701,553.39	723,827.76	(6,702.25)	0.00
GNMA	1999 B-D RMRB	6.10	04/17/02	03/20/32	908,787.03	941,921.39			(3,719.49)		905,067.54	933,803.42	(4,398.48)	0.00
GNMA	1999 B-D RMRB	6.10	04/29/02	04/20/32	607,215.50	629,354.56			(2,311.41)		604,904.09	624,109.79	(2,933.36)	0.00
GNMA	1999 B-D RMRB	6.10	05/15/02	04/20/32	98,709.54	102,308.49			(329.01)		98,380.53	101,504.11	(475.37)	0.00
GNMA	1999 B-D RMRB	6.10	06/03/02	05/20/32	401,919.12	416,573.09			(1,279.90)		400,639.22	413,359.51	(1,933.68)	0.00
GNMA	1999 B-D RMRB	6.10	06/19/02	04/20/32	217,153.01	225,070.41			(718.63)		216,434.38	223,306.17	(1,045.61)	0.00
GNMA	1999 B-D RMRB	6.10	06/28/02	06/20/32	151,453.50	156,975.49			(533.34)		150,920.16	155,711.88	(730.27)	0.00
GNMA	1999 B-D RMRB	6.10	09/26/02	09/20/32	85,364.83	88,477.23			(275.30)		85,089.53	87,791.12	(410.81)	0.00
GNMA	1999 B-D RMRB	6.10	10/21/02	09/20/32	99,332.23	102,953.88			(320.36)		99,011.87	102,155.50	(478.02)	0.00
GNMA	1999 B-D RMRB	6.10	10/29/02	10/20/32	72,138.05	74,768.20			(514.92)		71,623.13	73,897.16	(356.12)	0.00
GNMA	1999 B-D RMRB	6.10	11/12/02	10/20/32	94,544.50	97,991.59			(326.82)		94,217.68	97,209.09	(455.68)	0.00
GNMA	1999 B-D RMRB				110,696.70	114,732.70			(110,696.70)				(4,036.00)	0.00
GNMA	1999 B-D RMRB	6.10	01/30/03	01/20/33	110,160.97	114,379.03			(346.10)		109,814.87	113,381.66	(651.27)	0.00
FNMA	1999 B-D RMRB	6.10	10/17/01	09/01/31	82,660.36	85,527.02			(361.78)		82,298.58	84,823.50	(341.74)	0.00
FNMA	1999 B-D RMRB	6.10	01/28/02	11/01/31	211,734.61	219,077.57			(887.20)		210,847.41	217,316.21	(874.16)	0.00
FNMA	1999 B-D RMRB	6.10	04/17/02	02/01/32	36,180.28	37,427.78			(122.20)		36,058.08	37,153.52	(152.06)	0.00
Repo Agmt	1999 B-D RMRB	3.03	05/31/05	06/01/05	18,793.83	18,793.83	0.00				18,793.83	18,793.83	-	0.00
1999 B-D RMRB Total					40,211,653.30	41,932,954.44	2,687,071.68	(737,659.18)	(1,363,809.72)	0.00	40,797,256.08	42,281,338.77	(237,218.45)	
Repo Agmt	2000 A RMRB	3.03	05/31/05	06/01/05	278,595.33	278,595.33	1,974.85				280,570.18	280,570.18	-	0.00
Repo Agmt	2000 A RMRB	3.03	05/31/05	06/01/05	19,118.71	19,118.71	244.46				19,363.17	19,363.17	-	0.00
GICs	2000 A RMRB	6.51	05/01/00	07/01/31	2,138,247.07	2,138,247.07	1,533,969.60				3,672,216.67	3,672,216.67	-	0.00
Repo Agmt	2000 A RMRB	3.03	05/31/05	06/01/05	0.14	0.14					0.01	0.01	-	0.00
GICs	2000 A RMRB	6.51	05/01/00	07/01/31	34,266.97	34,266.97	0.13			(0.13)	34,267.10	34,267.10	-	0.00
GNMA	2000 A RMRB	6.45	07/28/00	07/20/30	975,654.48	1,020,066.24			(47,451.75)		928,202.73	968,328.92	(4,285.57)	0.00
GNMA	2000 A RMRB	6.45	09/14/00	08/20/30	2,858,220.00	2,988,326.18			(210,775.43)		2,647,444.57	2,761,893.60	(15,657.15)	0.00
GNMA	2000 A RMRB	6.45	10/16/00	09/20/30	871,901.48	911,590.43			(67,576.42)		804,325.06	839,096.03	(4,917.98)	0.00
GNMA	2000 A RMRB	6.45	10/23/00	10/20/30	813,760.60	850,802.98			(71,737.06)		742,023.54	774,101.21	(4,964.71)	0.00
GNMA	2000 A RMRB	6.45	10/30/00	10/20/30	446,823.00	467,162.38			(1,939.30)		444,883.70	464,116.02	(1,107.06)	0.00
FNMA	2000 A RMRB	6.45	07/28/00	06/01/30	272,693.00	283,990.67			(1,085.60)		271,607.40	282,430.96	(474.11)	0.00
GNMA	2000 A RMRB	6.45	01/08/01	12/20/30	289,090.38	302,249.77			(1,068.72)		288,021.66	300,472.93	(708.22)	0.00
GNMA	2000 A RMRB	6.45	01/29/01	01/20/31	220,656.32	230,652.03			(2,039.84)		218,616.48	227,940.45	(671.74)	0.00
GNMA	2000 A RMRB	6.45	11/16/00	11/20/30	1,071,925.45	1,120,719.52			(4,231.01)		1,067,694.44	1,113,850.88	(2,637.63)	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
GNMA	2000 A RMRB	6.45	11/29/00	11/20/30	412,878.24	431,672.47			(1,673.88)		411,204.36	428,980.74	(1,017.85)	0.00
GNMA	2000 A RMRB	6.45	12/21/00	11/20/30	544,637.14	569,429.00			(76,777.99)		467,859.15	488,084.68	(4,566.33)	0.00
GNMA	2000 A RMRB	6.45	12/27/00	11/20/30	351,906.92	367,925.74			(1,281.35)		350,625.57	365,783.14	(861.25)	0.00
GNMA	2000 A RMRB	6.45	02/20/01	01/20/31	230,099.61	240,523.11			(967.32)		229,132.29	238,904.77	(651.02)	0.00
GNMA	2000 A RMRB	6.45	02/28/01	02/20/31	378,181.88	395,313.50			(1,534.90)		376,646.98	392,710.96	(1,067.64)	0.00
GNMA	2000 A RMRB	6.45	03/15/01	06/20/31	481,284.19	503,086.36			(1,721.29)		479,562.90	500,016.25	(1,348.82)	0.00
GNMA	2000 A RMRB	6.45	03/29/01	02/20/31	178,969.05	187,076.35			(641.22)		178,327.83	185,933.51	(501.62)	0.00
GNMA	2000 A RMRB	6.45	04/30/01	04/20/31	385,967.16	403,451.50			(96,729.89)		289,237.27	301,573.27	(5,148.34)	0.00
FNMA	2000 A RMRB	6.45	09/11/00	08/01/30	520,040.50	541,585.78			(2,840.88)		517,199.62	537,810.03	(934.87)	0.00
FNMA	2000 A RMRB	6.45	10/06/00	09/01/30	95,550.19	99,508.83			(347.24)		95,202.95	98,996.79	(164.80)	0.00
GNMA	2000 A RMRB	6.45	11/16/00	10/01/30	286,908.51	298,795.13			(1,047.14)		285,861.37	297,252.95	(495.04)	0.00
GNMA	2000 A RMRB	6.45	05/30/01	05/30/31	519,299.02	542,823.47			(1,884.73)		517,414.29	539,482.21	(1,456.53)	0.00
GNMA	2000 A RMRB	6.45	06/18/01	03/20/31	228,143.36	238,478.25			(922.56)		227,220.80	236,911.77	(643.92)	0.00
GNMA	2000 A RMRB	6.45	07/16/01	06/20/31	132,854.86	138,873.19			(496.46)		132,358.40	138,003.48	(373.25)	0.00
GNMA	2000 A RMRB	6.45	08/08/01	07/20/31	236,267.14	246,970.04			(788.30)		235,478.84	245,522.01	(659.73)	0.00
GNMA	2000 A RMRB	6.45	08/31/01	08/20/31	212,138.34	221,748.20			(911.45)		211,226.89	220,235.72	(601.03)	0.00
FNMA	2000 A RMRB	6.45	12/27/00	11/01/30	281,017.53	292,660.10			(1,054.93)		279,962.60	291,119.12	(486.05)	0.00
FNMA	2000 A RMRB	6.45	02/05/01	01/01/31	95,319.12	99,268.19			(392.85)		94,926.27	98,709.08	(166.26)	0.00
GNMA	2000 A RMRB	6.45	11/29/01	11/20/31	466,079.92	487,193.31			(5,780.70)		460,299.22	479,930.95	(1,481.66)	0.00
GNMA	2000 A RMRB	6.45	12/17/01	11/20/31	341,202.86	356,659.34			(107,207.90)		233,994.96	243,974.83	(5,476.61)	0.00
GNMA	2000 A RMRB	6.45	12/27/01	12/20/31	613,467.52	641,257.61			(2,253.61)		611,213.91	637,282.20	(1,721.80)	0.00
GNMA	2000 A RMRB	6.45	09/25/01	09/20/31	468,169.13	489,377.20			(2,084.39)		466,084.74	485,963.25	(1,329.56)	0.00
GNMA	2000 A RMRB	6.45	09/28/01	09/20/31	820,792.27	857,974.15			(44,064.06)		776,728.21	809,855.67	(4,054.42)	0.00
GNMA	2000 A RMRB	6.45	10/17/01	10/20/31	532,605.44	556,732.45			(217,719.39)		314,886.05	328,315.92	(10,697.14)	0.00
GNMA	2000 A RMRB	6.45	10/30/01	10/20/31	422,866.74	442,022.62			(56,479.94)		366,386.80	382,013.21	(3,529.47)	0.00
GNMA	2000 A RMRB	6.45	11/15/01	11/20/31	262,617.80	274,514.40			(52,269.31)		210,348.49	219,319.86	(2,925.23)	0.00
GNMA	2000 A RMRB	6.45	03/29/01	02/01/31	230,353.28	239,896.82			(2,560.63)		227,792.65	236,870.19	(466.00)	0.00
GNMA	2000 A RMRB	6.45	01/22/02	01/20/32	640,155.01	669,057.98			(51,927.18)		588,227.83	613,215.71	(3,915.09)	0.00
GNMA	2000 A RMRB	6.45	01/30/02	12/20/31	135,386.03	141,519.02			(475.95)		134,910.08	140,664.00	(379.07)	0.00
GNMA	2000 A RMRB	6.45	02/25/02	02/20/32	1,664,234.77	1,739,374.94			(8,401.07)		1,655,833.70	1,726,173.48	(4,800.39)	0.00
FNMA	2000 A RMRB	6.45	07/12/01	06/01/31	142,260.55	148,118.84			(487.97)		141,772.58	147,408.04	(222.83)	0.00
GNMA	2000 A RMRB	6.45	05/15/02	04/20/32	91,758.27	95,901.16			(303.52)		91,454.75	95,339.75	(257.89)	0.00
GNMA	2000 A RMRB	6.45	05/24/02	05/20/32	217,667.60	227,495.29			(855.47)		216,812.13	226,022.31	(617.51)	0.00
GNMA	2000 A RMRB	6.45	03/21/02	02/20/32	435,134.75	454,781.11			(1,426.01)		433,708.74	452,132.71	(1,222.39)	0.00
GNMA	2000 A RMRB	6.45	04/17/02	03/20/32	550,934.95	575,809.66			(2,091.61)		548,843.34	572,158.19	(1,559.86)	0.00
GNMA	2000 A RMRB	6.45	04/29/02	04/20/32	140,767.88	147,123.55			(1,194.40)		139,573.48	145,502.56	(426.59)	0.00
GNMA	2000 A RMRB	6.45	05/15/02	03/20/32	68,337.50	71,422.94			(225.68)		68,111.82	71,005.21	(192.05)	0.00
GNMA	2000 A RMRB	6.45	08/29/02	08/20/32	65,638.84	68,602.43			(200.61)		65,438.23	68,218.05	(183.77)	0.00
GNMA	2000 A RMRB	6.45	06/03/02	05/20/32	69,355.77	72,487.18			(995.47)		68,360.30	71,264.25	(227.46)	0.00
GNMA	2000 A RMRB	6.45	07/05/02	03/20/32	45,699.42	47,762.75			(513.55)		45,185.87	47,105.37	(143.83)	0.00
GNMA	2000 A RMRB	6.45	08/01/02	05/20/32	62,701.47	65,532.44			(195.63)		62,505.84	65,161.09	(175.72)	0.00
GNMA	2000 A RMRB	6.45	11/12/02	11/20/32	135,196.80	141,300.94			(410.38)		134,786.42	140,512.15	(378.41)	0.00
GNMA	2000 A RMRB	6.45	09/12/02	08/20/32	59,793.82	62,493.51			(192.70)		59,601.12	62,132.98	(167.83)	0.00
GNMA	2000 A RMRB	6.45	10/21/02	10/20/32	75,379.66	78,783.05			(228.41)		75,151.25	78,343.68	(210.96)	0.00
GNMA	2000 A RMRB	6.45	10/29/02	10/20/32	65,714.11	68,681.10			(207.07)		65,507.04	68,289.78	(184.25)	0.00
GNMA	2000 A RMRB	6.45	11/26/02	11/20/32	43,980.73	45,966.46			(163.91)		43,816.82	45,678.16	(124.39)	0.00
GNMA	2000 A RMRB	6.45	12/30/02	12/20/32	68,215.02	71,294.93			(202.68)		68,012.34	70,901.50	(190.75)	0.00
GNMA	2000 A RMRB	6.45	01/23/03	01/20/33	80,064.56	83,736.32			(255.52)		79,809.04	83,192.14	(288.66)	0.00
GNMA	2000 A RMRB	6.45	01/23/03	01/20/33	53,774.84	56,240.95			(341.25)		53,433.59	55,698.64	(201.06)	0.00
FNMA	2000 A RMRB	6.45	09/28/01	09/01/31	165,812.08	172,640.22			(722.35)		165,089.73	171,652.05	(265.82)	0.00
FNMA	2000 A RMRB	6.45	10/17/01	09/01/31	165,071.29	171,868.93			(724.66)		164,346.63	170,879.41	(264.86)	0.00
GNMA	2000 A RMRB	6.45	02/20/03	02/20/33	72,258.44	75,572.21			(223.47)		72,034.97	75,088.53	(280.21)	0.00
FNMA	2000 A RMRB	6.45	12/27/01	11/01/31	207,024.39	215,549.65			(4,927.51)		202,096.88	210,130.23	(491.91)	0.00
FNMA	2000 A RMRB	6.45	04/17/02	03/01/32	123,444.23	128,517.79			(413.36)		123,030.87	127,846.30	(258.13)	0.00
Repo Agmt	2000 A RMRB	3.03	05/31/05	06/01/05	41,485.30	41,485.30	0.00				41,485.30	41,485.30	-	0.00
2000 A RMRB Total					25,707,818.73	26,749,726.18	1,536,189.04	(0.13)	(1,168,646.83)	0.00	26,075,360.81	27,011,406.16	(105,862.10)	
Repo Agmt	2003A RMRB	3.03	05/31/05	06/01/05	33,315.55	33,315.55	32,716.09				66,031.64	66,031.64	-	0.00
GICs	2003A RMRB	2.88	08/20/03	01/31/06	740,319.44	740,319.44		(62,617.76)			677,701.68	677,701.68	-	0.00

Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	2003A RMRB	3.03	05/31/05	06/01/05	8,517.69	8,517.69	300.00				8,817.69	8,817.69	-	0.00
GICs	2003A RMRB	4.13	08/20/03	06/28/34	849,536.52	849,536.52	923,396.62				1,772,933.14	1,772,933.14	-	0.00
Repo Agmt	2003A RMRB	3.03	05/31/05	06/01/05	96.87	96.87	0.52				97.39	97.39	-	0.00
GICs	2003A RMRB	4.13	08/20/03	07/01/34	1,827.63	1,827.63		(0.38)			1,827.25	1,827.25	-	0.00
GNMA	2003A RMRB	4.49	03/25/04	03/20/34	12,347,010.06	12,014,223.71			(53,487.82)		12,293,522.24	12,117,732.03	156,996.14	0.00
GNMA	2003A RMRB	4.49	03/30/04	03/20/34	1,960,975.27	1,908,121.53			(7,822.24)		1,953,153.03	1,925,224.09	24,924.80	0.00
GNMA	2003A RMRB	4.49	07/08/04	07/20/34	1,465,097.80	1,425,609.32			(7,988.60)		1,457,109.20	1,436,273.38	18,652.66	0.00
GNMA	2003A RMRB	5.49	07/08/04	06/20/34	172,570.84	177,044.35			(546.64)		172,024.20	177,138.46	640.75	0.00
GNMA	2003A RMRB	4.49	07/08/04	07/20/34	188,132.38	184,100.90			(1,154.29)		186,978.09	185,310.81	2,364.20	0.00
GNMA	2003A RMRB	5.49	07/08/04	07/20/34	178,093.94	182,264.59			(558.71)		177,535.23	182,365.12	659.24	0.00
GNMA	2003A RMRB	4.49	04/08/04	04/20/34	1,968,872.57	1,926,681.71			(7,918.03)		1,960,954.54	1,943,468.79	24,705.11	0.00
GNMA	2003A RMRB	5.49	04/08/04	04/20/34	347,355.39	356,359.80			(1,159.68)		346,195.71	356,488.06	1,287.94	0.00
GNMA	2003A RMRB	4.49	04/15/04	04/20/34	1,323,633.05	1,295,269.01			(5,244.05)		1,318,389.00	1,306,633.02	16,608.06	0.00
GNMA	2003A RMRB	5.49	04/15/04	04/20/34	64,503.37	66,175.48			(208.72)		64,294.65	66,206.13	239.37	0.00
GNMA	2003A RMRB	4.49	04/22/04	04/20/34	1,514,436.38	1,481,983.65			(6,424.18)		1,508,012.20	1,494,565.37	19,005.90	0.00
GNMA	2003A RMRB	5.49	04/22/04	04/20/34	90,394.91	92,738.19			(297.41)		90,097.50	92,776.08	335.30	0.00
GNMA	2003A RMRB	4.49	04/29/04	04/20/34	1,101,786.42	1,072,090.18			(4,389.05)		1,097,397.37	1,081,705.21	14,004.08	0.00
GNMA	2003A RMRB	5.49	04/29/04	04/20/34	61,462.81	63,056.10			(198.93)		61,263.88	63,085.25	228.08	0.00
GNMA	2003A RMRB	4.49	05/06/04	05/20/34	860,203.63	837,018.74			(3,429.54)		856,774.09	844,522.71	10,933.51	0.00
GNMA	2003A RMRB	4.49	05/13/04	05/20/34	549,698.76	534,882.84			(2,613.91)		547,084.85	539,261.85	6,992.92	0.00
GNMA	2003A RMRB	4.49	05/20/04	05/20/34	1,415,784.97	1,377,625.58			(6,049.93)		1,409,735.04	1,389,576.62	18,000.97	0.00
GNMA	2003A RMRB	4.49	05/27/04	05/20/34	669,800.25	651,747.26			(2,976.24)		666,824.01	657,288.81	8,517.79	0.00
GNMA	2003A RMRB	4.49	06/03/04	06/20/34	1,089,278.11	1,059,919.03			(4,760.87)		1,084,517.24	1,069,009.27	13,851.11	0.00
GNMA	2003A RMRB	4.49	06/10/04	06/20/34	567,364.46	552,072.39			(2,363.49)		565,000.97	556,921.78	7,212.88	0.00
GNMA	2003A RMRB	4.49	06/17/04	06/20/34	1,308,275.12	1,273,013.45			(5,770.54)		1,302,504.58	1,283,879.51	16,636.60	0.00
GNMA	2003A RMRB	4.49	06/24/04	06/20/34	1,469,047.27	1,429,452.36			(5,648.19)		1,463,399.08	1,442,473.32	18,669.15	0.00
GNMA	2003A RMRB	5.49	06/24/04	06/20/34	1,250,278.31	1,282,688.95			(4,120.41)		1,246,157.90	1,283,206.00	4,637.46	0.00
GNMA	2003A RMRB	4.49	09/02/04	08/20/34	257,889.85	250,939.00			(1,055.57)		256,834.28	253,161.70	3,278.27	0.00
GNMA	2003A RMRB	5.49	09/09/04	09/20/34	239,126.21	245,325.03			(76,763.98)		162,362.23	167,189.25	(1,371.80)	0.00
GNMA	2003A RMRB	4.49	09/09/04	09/20/34	317,066.33	308,520.51			(1,195.22)		315,871.11	311,354.34	4,029.05	0.00
GNMA	2003A RMRB	5.49	09/16/04	09/20/34	172,575.07	177,048.70			(535.51)		172,039.56	177,154.28	641.09	0.00
GNMA	2003A RMRB	4.49	09/16/04	09/20/34	1,265,241.05	1,231,139.28			(7,006.68)		1,258,234.37	1,240,242.36	16,109.76	0.00
GNMA	2003A RMRB	5.49	09/23/04	09/20/34	131,578.37	134,989.23			(54,301.99)		77,276.38	79,573.79	(1,113.45)	0.00
GNMA	2003A RMRB	4.49	09/23/04	09/20/34	204,405.46	200,025.26			(822.69)		203,582.77	201,767.43	2,564.86	0.00
GNMA	2003A RMRB	4.49	09/29/04	09/20/34	680,890.67	662,538.77			(2,573.01)		678,317.66	668,618.12	8,652.36	0.00
GNMA	2003A RMRB	5.49	09/29/04	09/20/34	209,967.00	214,884.08			(763.16)		209,203.84	214,895.28	774.36	0.00
GNMA	2003A RMRB	5.49	10/07/04	09/20/34	139,611.60	143,230.71			(432.63)		139,178.97	143,316.74	518.66	0.00
GNMA	2003A RMRB	4.49	10/07/04	10/20/34	464,540.02	452,019.37			(2,344.41)		462,195.61	455,586.47	5,911.51	0.00
GNMA	2003A RMRB	5.49	07/15/04	06/20/34	54,147.11	55,550.75			(170.85)		53,976.26	55,580.97	201.07	0.00
GNMA	2003A RMRB	4.49	07/15/04	07/20/34	507,167.56	493,497.98			(1,926.32)		505,241.24	498,016.58	6,444.92	0.00
GNMA	2003A RMRB	5.49	07/22/04	07/20/34	63,783.97	65,437.43			(200.21)		63,583.76	65,474.10	236.88	0.00
GNMA	2003A RMRB	4.49	07/22/04	07/20/34	597,159.21	581,064.11			(2,561.77)		594,597.44	586,095.06	7,592.72	0.00
GNMA	2003A RMRB	4.49	07/29/04	07/20/34	569,872.51	557,660.75			(2,154.31)		567,718.20	562,655.89	7,149.45	0.00
FNMA	2003A RMRB	5.49	07/29/04	07/20/34	261,159.87	267,929.86			(820.45)		260,339.42	268,079.28	969.87	0.00
GNMA	2003A RMRB	4.49	08/05/04	08/20/34	344,205.31	336,829.36			(1,549.81)		342,655.50	339,600.07	4,320.52	0.00
GNMA	2003A RMRB	5.49	08/05/04	07/20/34	111,258.02	114,142.13			(350.12)		110,907.90	114,205.18	413.17	0.00
GNMA	2003A RMRB	4.49	08/12/04	08/20/34	402,080.50	393,464.34			(1,519.35)		400,561.15	396,989.36	5,044.37	0.00
GNMA	2003A RMRB	5.49	08/12/04	07/20/34	87,308.99	89,572.27			(273.82)		87,035.17	89,622.72	324.27	0.00
GNMA	2003A RMRB	4.49	08/19/04	08/20/34	509,562.22	498,642.84			(3,065.09)		506,497.13	501,980.72	6,402.97	0.00
GNMA	2003A RMRB	5.49	08/19/04	08/20/34	369,897.54	379,486.29			(1,928.74)		367,968.80	378,908.45	1,350.90	0.00
GNMA	2003A RMRB	4.49	12/02/04	10/20/34	144,213.20	140,326.26			(655.17)		143,558.03	141,505.23	1,834.14	0.00
GNMA	2003A RMRB	4.49	12/09/04	11/20/34	290,555.73	282,724.45			(1,088.43)		289,467.30	285,328.09	3,692.07	0.00
GNMA	2003A RMRB	5.49	12/16/04	12/20/34	162,420.21	166,630.59			(812.10)		161,608.11	166,412.69	594.20	0.00
GNMA	2003A RMRB	4.49	12/16/04	12/20/34	316,684.15	308,148.64			(1,678.06)		315,006.09	310,501.70	4,031.12	0.00
GNMA	2003A RMRB	4.49	10/14/04	09/20/34	457,095.62	444,775.63			(1,708.63)		455,386.99	448,875.23	5,808.23	0.00
GNMA	2003A RMRB	5.49	10/14/04	09/20/34	42,353.12	43,451.03			(412.26)		41,940.86	43,187.76	148.99	0.00
GNMA	2003A RMRB	5.49	10/21/04	10/20/34	190,492.72	195,430.82			(715.57)		189,777.15	195,419.20	703.95	0.00
GNMA	2003A RMRB	4.49	10/21/04	10/20/34	198,174.01	193,927.36			(735.30)		197,438.71	195,678.18	2,486.12	0.00
GNMA	2003A RMRB	4.49	10/28/04	10/20/34	487,244.13	474,111.53			(1,859.47)		485,384.66	478,443.93	6,191.87	0.00

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GNMA	2003A RMRB	5.49	10/28/04	10/20/34	55,743.97	57,189.00			(271.83)		55,472.14	57,121.31	204.14	0.00
GNMA	2003A RMRB	5.49	11/04/04	11/20/34	637,438.32	652,366.06			(2,180.66)		635,257.66	652,539.99	2,354.59	0.00
GNMA	2003A RMRB	4.49	11/04/04	10/20/34	602,052.94	585,825.94			(2,396.13)		599,656.81	591,082.07	7,652.26	0.00
GNMA	2003A RMRB	5.49	11/10/04	11/20/34	67,488.93	69,238.43			(206.64)		67,282.29	69,282.59	250.80	0.00
GNMA	2003A RMRB	4.49	11/10/04	10/20/34	120,611.43	118,026.86			(447.53)		120,163.90	119,092.41	1,513.08	0.00
GNMA	2003A RMRB	5.49	11/18/04	11/20/34	109,166.91	111,996.81			(339.67)		108,827.24	112,062.66	405.52	0.00
GNMA	2003A RMRB	4.49	11/18/04	10/20/34	247,377.64	242,076.60			(921.77)		246,455.87	244,258.23	3,103.40	0.00
GNMA	2003A RMRB	5.49	11/23/04	11/20/34	273,091.51	280,170.79			(1,013.20)		272,078.31	280,167.17	1,009.58	0.00
GNMA	2003A RMRB	4.49	11/01/04	11/20/34	448,680.95	436,587.73			(2,001.89)		446,679.06	440,291.80	5,705.96	0.00
GNMA	2003A RMRB	5.49	12/29/04	12/20/34	336,803.95	345,534.83			(1,029.34)		335,774.61	345,757.15	1,251.66	0.00
GNMA	2003A RMRB	4.49	12/29/04	12/20/34	299,851.76	291,769.92			(1,403.27)		298,448.49	294,180.85	3,814.20	0.00
GNMA	2003A RMRB	5.49	01/06/05	01/20/35	207,892.78	213,254.64			(632.17)		207,260.61	213,414.07	791.60	0.00
GNMA	2003A RMRB	4.49	03/30/05	01/20/35			293,151.20				293,151.20	288,939.08	(4,212.12)	0.00
GNMA	2003A RMRB	5.49	01/13/05	01/20/35	227,991.25	233,871.49			(693.55)		227,297.70	234,046.07	868.13	0.00
GNMA	2003A RMRB	4.49	01/19/05	01/20/35	111,068.24	108,654.52			(404.95)		110,663.29	109,670.93	1,421.36	0.00
GNMA	2003A RMRB	4.49	01/27/05	01/20/35	810,464.55	788,350.18			(3,029.41)		807,435.14	795,807.74	10,486.97	0.00
GNMA	2003A RMRB	5.49	02/03/05	01/20/35	222,318.06	227,495.19			(1,808.34)		220,509.72	226,499.83	812.98	0.00
GNMA	2003A RMRB	4.49	02/03/05	02/20/35	791,335.51	774,138.30			(3,546.68)		787,788.83	780,724.39	10,132.77	0.00
GNMA	2003A RMRB	4.49	02/17/05	02/20/35	301,035.01	292,820.96			(1,300.71)		299,734.30	295,418.01	3,897.76	0.00
GNMA	2003A RMRB	5.49	02/17/05	01/20/35	56,723.50	58,186.48			(170.79)		56,552.71	58,231.73	216.04	0.00
GNMA	2003A RMRB	5.49	03/10/05	02/20/35			106,457.56				106,457.56	109,618.23	3,160.67	0.00

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GNMA	2003A RMRB	4.49	03/17/05	01/20/35			28,312.06				28,312.06	28,058.17	(253.89)	0.00
GNMA	2003A RMRB	5.49	03/17/05	03/20/35			121,372.36				121,372.36	124,975.85	3,603.49	0.00
GNMA	2003A RMRB	5.49	04/07/05	04/20/35			321,528.96				321,528.96	331,074.99	9,546.03	0.00
GNMA	2003A RMRB	5.49	04/21/05	04/20/35			230,540.58				230,540.58	237,385.22	6,844.64	0.00
GNMA	2003A RMRB	4.49	04/28/05	03/20/35			63,607.38				63,607.38	63,036.99	(570.39)	0.00
GNMA	2003A RMRB	5.49	04/28/05	04/20/35			186,625.31				186,625.31	192,166.12	5,540.81	0.00
GNMA	2003A RMRB	5.49	05/12/05	05/20/35			189,031.79				189,031.79	194,644.05	5,612.26	0.00
GNMA	2003A RMRB	4.49	05/19/05	05/20/35			1,405,675.72				1,405,675.72	1,385,433.42	(20,242.30)	0.00
GNMA	2003A RMRB	4.49	05/26/05	04/20/35			129,851.48				129,851.48	128,687.05	(1,164.43)	0.00
FNMA	2003A RMRB	4.49	03/25/04	02/01/34	309,246.60	299,067.32					393,419.39	405,099.81	11,680.42	0.00
FNMA	2003A RMRB	4.49	07/29/04	07/01/34	320,387.23	309,841.24			(1,388.20)		307,858.40	301,501.70	3,822.58	0.00
FNMA	2003A RMRB	4.49	08/26/04	08/01/34	279,238.87	270,047.34			(1,214.93)		319,172.30	312,582.00	3,955.69	0.00
FNMA	2003A RMRB	5.49	09/23/04	08/01/34	207,772.63	210,642.07			(1,048.06)		278,190.81	272,446.70	3,447.42	0.00
FNMA	2003A RMRB	4.49	09/29/04	09/01/34	339,777.97	328,595.62			(655.30)		207,117.33	211,001.61	1,014.84	0.00
FNMA	2003A RMRB	4.49	11/10/04	10/01/34	169,657.62	164,073.11			(1,267.51)		338,510.46	331,522.79	4,194.68	0.00
FNMA	2003A RMRB	4.49	03/29/05	01/20/35			234,936.52		(632.17)		169,025.45	165,535.40	2,094.46	0.00
GICs	2003A RMRB	2.88	02/01/05	01/31/06	19,756,322.08	19,756,322.08					234,936.52	230,073.73	(4,862.79)	0.00
Repo Agmt	2003A RMRB	3.03	05/31/05	06/01/05	11,561.29	11,561.29	81.99	(3,741,003.37)			16,015,318.71	16,015,318.71	-	0.00
Repo Agmt	2003A RMRB	3.03	05/31/05	06/01/05	34.03	34.03	0.05				11,643.28	11,643.28	-	0.00
2003A RMRB Total					71,168,532.63	70,218,956.01	4,661,005.58	(3,803,621.51)	(939,116.85)	0.00	71,686,799.85	71,318,368.59	581,145.36	0.00
GNMA	1999 A RMRB	7.50	08/31/89	07/20/18	449,078.64	484,553.62					394,147.52	424,601.89	(5,020.61)	0.00
GNMA	1999 A RMRB	7.50	10/31/89	09/20/18	1,117,178.79	1,205,430.36			(54,931.12)		1,039,052.26	1,119,336.08	(7,967.75)	0.00
GNMA	1999 A RMRB	8.75	10/31/89	09/20/18	192,089.94	212,291.32			(78,126.53)		188,837.87	205,935.84	(3,103.41)	0.00
GNMA	1999 A RMRB	7.50	11/30/89	10/20/18	834,955.63	900,912.99			(3,252.07)		819,786.56	883,128.51	(2,615.41)	0.00
GNMA	1999 A RMRB	8.75	11/30/89	09/20/18	122,455.88	135,334.06			(15,169.07)		120,932.90	131,882.51	(1,928.57)	0.00
GNMA	1999 A RMRB	7.50	01/01/90	11/20/18	522,000.56	563,235.99			(1,522.98)		515,021.87	554,815.73	(1,441.57)	0.00
GNMA	1999 A RMRB	8.75	01/01/90	11/20/18	135,064.11	149,268.27			(6,978.69)		133,769.44	145,881.33	(2,092.27)	0.00
GNMA	1999 A RMRB	7.50	01/01/90	12/20/18	288,955.84	311,781.95			(1,294.67)		285,571.66	307,636.78	(760.99)	0.00
GNMA	1999 A RMRB	7.50	02/27/90	12/20/18	104,054.36	112,274.20			(1,150.21)		102,904.15	110,855.25	(268.74)	0.00
GNMA	1999 A RMRB	8.75	05/29/90	02/20/19	198,489.64	219,802.93			(2,707.86)		195,781.78	213,882.35	(3,212.72)	0.00
GNMA	1999 A RMRB	7.50	03/30/90	01/20/19	316,001.91	341,088.30			(4,301.44)		311,700.47	336,028.73	(758.13)	0.00
GNMA	1999 A RMRB	8.75	03/30/90	01/20/19	109,559.42	121,323.60			(992.42)		108,567.00	118,604.29	(1,726.89)	0.00
GNMA	1999 A RMRB	7.50	04/26/90	03/20/19	375,436.11	405,240.95			(6,136.80)		369,299.31	398,123.33	(980.82)	0.00
GNMA	1999 A RMRB	8.75	04/26/90	03/20/19	240,602.49	266,437.67			(50,604.24)		189,998.25	207,564.05	(8,269.38)	0.00
GNMA	1999 A RMRB	7.50	05/29/90	04/20/19	460,787.62	497,368.20			(5,845.58)		454,942.04	490,450.44	(1,072.18)	0.00
GNMA	1999 A RMRB	7.50	06/28/90	04/20/19	72,201.15	77,933.01			(931.77)		71,269.38	76,832.01	(169.23)	0.00
GNMA	1999 A RMRB	8.75	06/28/90	04/20/19	101,389.60	112,276.55			(1,277.56)		100,112.04	109,367.66	(1,631.33)	0.00
GNMA	1999 A RMRB	7.50	10/31/90	07/20/19	59,508.42	64,232.66			(585.01)		58,923.41	63,522.44	(125.21)	0.00
GNMA	1999 A RMRB	7.50	12/21/90	08/20/19	52,132.33	56,270.96			(595.39)		51,536.94	55,559.42	(116.15)	0.00
GNMA	1999 A RMRB	8.75	12/21/90	08/20/19	31,459.83	34,837.91			(292.55)		31,167.28	34,048.79	(496.57)	0.00
GNMA	1999 A RMRB	7.50	03/28/91	11/20/19	43,518.12	46,972.90			(406.37)		43,111.75	46,476.64	(89.89)	0.00
GNMA	1999 A RMRB	8.75	04/26/91	01/20/20	170,845.22	189,499.14			(1,425.40)		169,419.82	185,394.69	(2,679.05)	0.00
GNMA	1999 A RMRB	8.75	04/29/91	02/20/20	36,388.99	40,362.20			(323.93)		36,065.06	39,465.71	(572.56)	0.00
GNMA	1999 A RMRB	7.50	04/29/91	12/20/19	145,044.20	156,558.90			(24,106.74)		120,937.46	130,376.75	(2,075.41)	0.00
GNMA	1999 A RMRB	5.35	01/31/01	08/20/30	43,801.47	44,326.24			(416.90)		43,384.57	44,026.69	(117.35)	0.00
GNMA	1999 A RMRB	5.35	01/31/01	01/20/31	405,043.47	409,750.07			(1,833.23)		403,210.24	409,072.92	1,156.08	0.00
GNMA	1999 A RMRB	5.35	03/15/01	01/20/31	47,224.58	47,773.33			(208.95)		47,015.63	47,699.24	134.86	0.00
GNMA	1999 A RMRB	5.35	05/10/01	04/20/31	65,094.39	65,850.79			(269.04)		64,825.35	65,767.91	186.16	0.00
GNMA	1999 A RMRB	5.35	06/22/01	05/20/31	56,191.78	56,844.73			(232.90)		55,968.88	56,772.52	160.69	0.00
GNMA	1999 A RMRB	5.35	06/29/01	05/20/31	149,309.20	151,044.17			(676.36)		148,632.84	150,793.96	426.15	0.00
FNMA	1999 A RMRB	5.35	03/15/01	10/01/30	256,708.29	257,991.83			(1,307.53)		255,400.76	257,977.75	1,293.45	0.00
FNMA	1999 A RMRB	5.35	06/18/01	03/01/31	71,627.69	71,960.04			(670.17)		70,957.52	71,619.55	329.68	0.00
GNMA	1999 A RMRB	5.35	03/18/02	02/20/32	40,865.32	41,307.48			(157.01)		40,708.31	41,270.49	120.02	0.00
Repo Agmt	1999 A RMRB	3.03	05/31/05	06/01/05	401,199.23	401,199.23	0.00				401,199.23	401,199.23	-	0.00
1999 A RMRB Total					7,716,284.22	8,253,336.55	0.00	0.00	(272,114.67)	0.00	7,444,149.55	7,935,971.48	(45,250.40)	0.00
Total Residential Mortgage Revenue Bonds Investment Summary					429,151,260.34	437,353,113.65	21,185,946.35	(4,917,577.47)	(10,921,768.87)	0.00	434,497,860.35	443,146,119.06	446,405.40	(0.00)

Texas Department of Housing and Community Affairs
Collateralized Home Mortgage Revenue Bonds Investment Summary
For Period Ending May 31, 2005

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Repo Agmt	1990 A&B CHMRB	3.03	05/31/05	06/01/05	46,451.08	46,451.08	329.30				46,780.38	46,780.38	-	0.00
Repo Agmt	1990 A&B CHMRB	3.03	05/31/05	06/01/05	75,106.71	75,106.71	532.40				75,639.11	75,639.11	-	0.00
Mutual Fund	1990 A&B CHMRB	2.65	05/01/05	06/01/05	23.15	23.15	0.00				23.15	23.15	-	0.00
Repo Agmt	1990 A&B CHMRB	3.03	05/31/05	06/01/05	207,483.28	207,483.28	1,470.76				208,954.04	208,954.04	-	0.00
1990 A&B CHMRB Total					329,064.22	329,064.22	2,332.46	0.00	0.00	0.00	331,396.68	331,396.68	0.00	0.00
Repo Agmt	1991 A CHMRB	3.03	05/31/05	06/01/05	98,017.74	98,017.74	694.80				98,712.54	98,712.54	-	0.00
Repo Agmt	1991 A CHMRB	3.03	05/31/05	06/01/05	6,534.24	6,534.24	46.29				6,580.53	6,580.53	-	0.00
1991 A CHMRB Total					104,551.98	104,551.98	741.09	0.00	0.00	0.00	105,293.07	105,293.07	0.00	0.00
Repo Agmt	1992 A-C CHMRB	3.03	05/31/05	06/01/05	94,798.45	94,798.45		(9,026.02)			85,772.43	85,772.43	-	0.00
GICs	1992 A-C CHMRB	6.09	08/29/92	07/02/24	1,658,224.49	1,658,224.49	1,468,536.20				3,126,760.69	3,126,760.69	-	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	12/01/23	32,164.05	34,397.84			(220.65)		31,943.40	34,190.14	12.95	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/23	163,868.97	175,249.50			(1,678.31)		162,190.66	173,598.16	26.97	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	06/01/23	358,661.84	383,584.94			(4,397.85)		354,263.99	379,219.93	32.84	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	02/01/25	1,542,778.99	1,648,178.63			(99,251.15)		1,443,527.84	1,544,069.63	(5,857.85)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	1,338,516.24	1,430,828.61			(138,192.91)		1,200,323.33	1,283,925.88	(8,709.82)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	386,312.70	412,955.25			(4,111.37)		382,201.33	408,821.70	(22.18)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	1,113,431.60	1,190,220.73			(94,180.29)		1,079,251.31	1,154,421.17	(1,619.27)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	1,400,135.06	1,495,387.60			(63,402.72)		1,336,732.34	1,428,962.01	(3,022.87)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/96	12/20/22	342,320.34	365,603.34			(3,451.06)		338,869.28	361,770.57	(381.71)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	01/20/23	385,849.42	411,956.75			(35,507.63)		350,341.79	373,905.22	(2,543.90)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/23	325,185.42	347,188.14			(43,613.88)		281,571.54	300,509.63	(3,064.63)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	07/20/23	419,053.99	447,408.06			(5,219.51)		413,834.48	441,668.38	(520.17)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	08/20/23	340,312.43	363,338.70			(2,353.38)		337,959.05	360,689.72	(295.60)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	09/20/23	116,827.08	124,731.87			(5,684.26)		111,142.82	118,618.14	(429.47)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	12/20/23	453,354.18	484,029.02			(64,526.15)		388,828.03	414,979.99	(4,522.88)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/23	70,401.26	75,164.75			(1,558.69)		68,842.57	73,472.82	(133.24)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/25	777,859.09	829,572.46			(10,096.20)		767,762.89	818,626.89	(849.37)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/25	955,463.85	1,018,984.73			(7,011.81)		948,452.04	1,011,286.69	(686.23)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	06/20/25	721,491.04	769,457.01			(56,097.08)		665,393.96	709,476.11	(3,883.82)	0.00
Repo Agmt	1992 A-C CHMRB	3.03	05/31/05	06/01/05	0.22	0.22	0.00				0.22	0.22	-	0.00
GICs	1992 A-C CHMRB	6.09	06/29/92	07/02/24	99,999.73	99,999.73	0.00				99,999.73	99,999.73	-	0.00
Repo Agmt	1992 A-C CHMRB	3.03	05/31/05	06/01/05	0.01	0.01	0.00				0.01	0.01	-	0.00
GICs	1992 A-C CHMRB	6.09	06/29/92	07/02/24	674,531.52	674,531.52	0.00				674,531.52	674,531.52	-	0.00
FNMA	1992 A-C CHMRB	6.91	04/28/95	06/01/23	186,322.56	199,262.50			(2,479.08)		183,843.48	196,773.93	(9.49)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/23	1,168,899.38	1,247,989.50			(94,533.13)		1,074,366.25	1,146,626.54	(6,829.83)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	01/20/25	2,804,569.83	2,991,022.46			(63,938.04)		2,740,631.79	2,922,197.79	(4,886.63)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	02/20/25	2,773,218.70	2,957,587.03			(245,112.03)		2,528,106.67	2,695,592.94	(16,882.06)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/25	3,671,539.26	3,915,629.48			(370,919.18)		3,300,620.08	3,519,285.10	(25,425.20)	0.00
Repo Agmt	1992 A-C CHMRB	3.03	05/31/05	06/01/05	10,213.03	10,213.03	72.40				10,285.43	10,285.43	-	0.00
1992 A-C CHMRB Total					24,386,304.73	25,858,496.35	1,468,608.60	(9,026.02)	(1,357,536.36)	0.00	24,488,350.95	25,870,039.11	(90,503.46)	0.00
Total CHMRB Investment Summary					24,819,920.93	26,292,112.55	1,471,682.15	(9,026.02)	(1,357,536.36)	0.00	24,925,040.70	26,306,728.86	(90,503.46)	0.00

**Texas Department of Housing and Community Affairs
Multi Family Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Mutual Fund	1996 A&B MF (Brighton/LC)	2.65	05/01/05	06/01/05	54.83	54.83	0.48				55.31	55.31	-	0.00
Mutual Fund	1996 A&B MF (Brighton/LC)	2.65	05/01/05	06/01/05	83.57	83.57	1.39				84.96	84.96	-	0.00
Mutual Fund	1996 A&B MF (Brighton/LC)	2.65	05/01/05	06/01/05	31,208.37	31,208.37	10,027.34				41,235.71	41,235.71	-	0.00
Mutual Fund	1996 A&B MF (Brighton/LC)	2.65	05/01/05	06/01/05	20,033.90	20,033.90	6,356.31				26,390.21	26,390.21	-	0.00
	1996 A&B MF (Brighton/LC) Total				51,380.67	51,380.67	16,385.52	0.00	0.00	0.00	67,766.19	67,766.19	0.00	
Mutual Fund	1998 M/F (Dallas-Oxford Rfdg)	2.65	05/01/05	06/01/05	17.11	17.11	67,745.80				67,762.91	67,762.91	-	0.00
Mutual Fund	1998 M/F (Dallas-Oxford Rfdg)	2.65	05/01/05	06/01/05	20,935.87	20,935.87	7,375.08				28,310.95	28,310.95	-	0.00
Mutual Fund	1998 M/F (Dallas-Oxford Rfdg)	2.27	05/01/05	06/01/05	462.96	462.96	2.76				465.72	465.72	-	0.00
	1998 M/F (Dallas-Oxford Rfdg) Total				21,415.94	21,415.94	75,123.64	0.00	0.00	0.00	96,539.58	96,539.58	0.00	
Mutual Fund	1984 A & B M/F (Summer Bend)	2.65	05/01/05	06/01/05	2.42	2.42	0.00				2.42	2.42	-	0.00
Money Market	1984 A & B M/F (Summer Bend)	1.48	05/01/05	06/01/05	52,290.96	52,290.96	7,657.84				59,948.80	59,948.80	-	0.00
	1984 A & B M/F (Summer Bend) Total				52,293.38	52,293.38	7,657.84	0.00	0.00	0.00	59,951.22	59,951.22	0.00	
Mutual Fund	1996 A&B MF (Braxton's)	2.65	05/01/05	06/01/05	54.88	54.88	1.41				56.29	56.29	-	0.00
Mutual Fund	1996 A&B MF (Braxton's)	2.65	05/01/05	06/01/05	35,996.81	35,996.81	10,111.48				46,108.29	46,108.29	-	0.00
	1996 A&B MF (Braxton's) Total				36,051.69	36,051.69	10,112.89	0.00	0.00	0.00	46,164.58	46,164.58	0.00	
Treasury Note	1993 A&B M/F(Reming. Hill)	5.73	05/16/05	06/09/05	1,097,163.60	1,097,163.60		(1,047,234.93)			49,928.67	49,928.67	-	0.00
Repo Agmt	1993 A&B M/F(Reming. Hill)	3.03	05/31/05	06/01/05	531.23	531.23	3.73				534.96	534.96	-	0.00
Treasury Bill	1993 A&B M/F(Reming. Hill)	5.81	05/16/05	06/09/05	90,860.93	90,860.93		(984.73)			89,876.20	89,876.20	-	0.00
Repo Agmt	1993 A&B M/F(Reming. Hill)	3.03	05/31/05	06/01/05	22,977.90	22,977.90	162.90				23,140.80	23,140.80	-	0.00
	1993 A&B M/F(Reming. Hill) Total				1,211,533.66	1,211,533.66	166.63	(1,048,219.66)	0.00	0.00	163,480.63	163,480.63	0.00	
Repo Agmt	1987 South Tx. Rental Housing	3.03	05/31/05	06/01/05	925,624.43	925,624.43		(5,723.30)			919,901.13	919,901.13	-	0.00
	1987 South Tx. Rental Housing Total				925,624.43	925,624.43	0.00	(5,723.30)	0.00	0.00	919,901.13	919,901.13	0.00	
Mutual Fund	1996 A-D M/F(DFW)	2.65	05/01/05	06/01/05	4.26	4.26	0.00				4.26	4.26	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	2.27	05/01/05	06/01/05	401,268.68	401,268.68	1,501.53				402,770.21	402,770.21	-	0.00
Mutual Fund	1996 A-D M/F(DFW)	2.27	05/01/05	06/01/05	8.55	8.55	0.00				8.55	8.55	-	0.00
	1996 A-D M/F(DFW) Total				401,281.49	401,281.49	1,501.53	0.00	0.00	0.00	402,783.02	402,783.02	0.00	
Mutual Fund	1996 A-D M/F(HP)	2.31	05/01/05	06/01/05	32,056.85	32,056.85	6,788.96				38,845.81	38,845.81	-	0.00
Mutual Fund	1996 A-D M/F(HP)	2.65	05/01/05	06/01/05	49,114.64	49,114.64	13,670.74				62,785.38	62,785.38	-	0.00
Inv Agmt	1996 A-D M/F(HP)	6.25	11/12/96	07/01/26	82,912.35	82,912.35	20,905.59				103,817.94	103,817.94	-	0.00
Mutual Fund	1996 A-D M/F(HP)	2.65	05/01/05	06/01/05	113,011.63	113,011.63		(74,905.86)			38,105.77	38,105.77	-	0.00
Mutual Fund	1996 A-D M/F(HP)	2.65	05/01/05	06/01/05	0.01	0.01	0.00				0.01	0.01	-	0.00
Inv Agmt	1996 A-D M/F(HP)	6.75	11/05/96	07/01/26	86,743.95	86,743.95	0.00				86,743.95	86,743.95	-	0.00
Inv Agmt	1996 A-D M/F(HP)	6.75	11/05/96	07/01/26	777,671.25	777,671.25	0.00				777,671.25	777,671.25	-	0.00
Inv Agmt	1996 A-D M/F(HP)	6.75	11/05/96	07/01/26	177,500.00	177,500.00	0.00				177,500.00	177,500.00	-	0.00
Inv Agmt	1996 A-D M/F(HP)	5.90	11/12/96	07/01/26	128,754.43	128,754.43	193,221.87				321,976.30	321,976.30	-	0.00
Inv Agmt	1996 A-D M/F(HP)	5.90	11/12/96	07/01/26	13,966.44	13,966.44	21,718.55				35,684.99	35,684.99	-	0.00
Inv Agmt	1996 A-D M/F(HP)	5.90	11/12/96	07/01/26	22,231.99	22,231.99	15,500.00				37,731.99	37,731.99	-	0.00
	1996 A-D M/F(HP) Total				1,483,963.54	1,483,963.54	271,805.71	(74,905.86)	0.00	0.00	1,680,863.39	1,680,863.39	0.00	
Mutual Fund	1996 A&B M/F(NHP Project)	2.27	05/01/05	06/01/05	0.02	0.02	0.00				0.02	0.02	-	0.00
Inv Agmt	1996 A&B M/F(NHP Project)	6.70	11/21/96	01/01/27	1.00	1.00	0.00				1.00	1.00	-	0.00
	1996 A&B M/F(NHP Project) Total				1.02	1.02	0.00	0.00	0.00	0.00	1.02	1.02	0.00	
Mutual Fund	1997 M/F (Meadow Ridge)	2.27	05/01/05	06/01/05	3.38	3.38	0.00				3.38	3.38	-	0.00
	1997 M/F (Meadow Ridge) Total				3.38	3.38	0.00	0.00	0.00	0.00	3.38	3.38	0.00	
Mutual Fund	1998 M/F (Pebble Brook)	2.65	05/01/05	06/01/05	18,942.78	18,942.78	31,115.30				50,058.08	50,058.08	-	0.00
Mutual Fund	1998 M/F (Pebble Brook)	2.65	05/01/05	06/01/05	61,021.09	61,021.09	3,594.91				64,616.00	64,616.00	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Inv Agmt	1998 M/F (Pebble Brook)	5.20	04/30/98	12/01/30	123,071.21	123,071.21	183,266.83				306,338.04	306,338.04	-	0.00
Mutual Fund	1998 M/F (Pebble Brook)	2.27	05/01/05	06/01/05	34,756.87	34,756.87	154.30				34,911.17	34,911.17	-	0.00
1998 M/F (Pebble Brook) Total					237,791.95	237,791.95	218,131.34	0.00	0.00	0.00	455,923.29	455,923.29	0.00	
Mutual Fund	1998 M/F (Residence Oaks)	2.65	05/01/05	06/01/05	220,350.99	220,350.99	824.54				221,175.53	221,175.53	-	0.00
Mutual Fund	1998 M/F (Residence Oaks)	2.65	05/01/05	06/01/05	15.15	15.15		(15.04)			0.11	0.11	-	(0.00)
Mutual Fund	1998 M/F (Residence Oaks)	2.65	05/01/05	06/01/05	137,339.88	137,339.88	513.89				137,853.77	137,853.77	-	0.00
Mutual Fund	1998 M/F (Residence Oaks)				32,529.15	32,529.15		(32,529.15)					-	0.00
Mutual Fund	1998 M/F (Residence Oaks)				116,212.74	116,212.74		(116,212.74)					-	0.00
Mutual Fund	1998 M/F (Residence Oaks)	2.65	05/01/05	06/01/05	197,923.03	197,923.03	34,392.24				232,315.27	232,315.27	-	0.00
1998 M/F (Residence Oaks) Total					704,370.94	704,370.94	35,730.67	(148,756.93)	0.00	0.00	591,344.68	591,344.68	0.00	
Mutual Fund	1998 M/F (Volente Project)	2.27	05/01/05	06/01/05	7,971.21	7,971.21		(6,500.48)			1,470.73	1,470.73	-	0.00
Mutual Fund	1998 M/F (Volente Project)	2.27	05/01/05	06/01/05	61,041.73	61,041.73		(60,952.73)			89.00	89.00	-	0.00
Inv Agmt	1998 M/F (Volente Project)	5.22	05/14/98	01/01/31	83,535.98	83,535.98	244,112.14				327,648.12	327,648.12	-	0.00
Mutual Fund	1998 M/F (Volente Project)	2.27	05/01/05	06/01/05	3,929.62	3,929.62	19.11				3,948.73	3,948.73	-	0.00
Mutual Fund	1998 M/F (Volente Project)				1.24	1.24	0.00				1.24	1.24	-	0.00
Mutual Fund	1998 M/F (Volente Project)	2.27	05/01/05	06/01/05	11.16	11.16	0.06				11.22	11.22	-	0.00
1998 M/F (Volente Project) Total					156,490.94	156,490.94	244,131.31	(67,453.21)	0.00	0.00	333,169.04	333,169.04	0.00	
Mutual Fund	1998 M/F (Greens-Hickory)	2.65	05/01/05	06/01/05	12,500.00	12,500.00		(6,289.03)			6,210.97	6,210.97	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory)	2.65	05/01/05	06/01/05	62,768.14	62,768.14	60,747.06				123,515.20	123,515.20	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory)	2.65	05/01/05	06/01/05	12,865.45	12,865.45	6,576.61				19,442.06	19,442.06	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory)				96,229.00	96,229.00		(96,229.00)					-	0.00
Inv Agmt	1998 M/F (Greens-Hickory)	4.94	03/22/01	09/01/30	1.55	1.55	52,500.00				52,501.55	52,501.55	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory)				349,166.97	349,166.97		(349,166.97)					-	0.00
Inv Agmt	1998 M/F (Greens-Hickory)	4.94	09/10/98	09/01/30	5.69	5.69	170,921.64				170,927.33	170,927.33	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory)				571.22	571.22		(571.22)					-	0.00
Inv Agmt	1998 M/F (Greens-Hickory)	4.94	03/22/01	09/01/30	35,710.07	35,710.07		(8,964.57)			26,745.50	26,745.50	-	0.00
1998 M/F (Greens-Hickory) Total					569,818.09	569,818.09	290,745.31	(461,220.79)	0.00	0.00	399,342.61	399,342.61	0.00	
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	26,010.29	26,010.29	40,329.54				66,339.83	66,339.83	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	1.78	1.78	0.00				1.78	1.78	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	118,645.57	118,645.57		(4,981.98)			113,663.59	113,663.59	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	86,096.06	86,096.06		(53,717.08)			32,378.98	32,378.98	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	2.27	05/01/05	06/01/05	45,184.30	45,184.30		(44,769.39)			414.91	414.91	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	155,586.51	155,586.51		(154,288.42)			1,298.09	1,298.09	-	(0.00)
Mutual Fund	1999 M/F (Mayfield Apts)	2.65	05/01/05	06/01/05	0.16	0.16	0.00				0.16	0.16	-	0.00
1999 M/F (Mayfield Apts) Total					431,524.67	431,524.67	40,329.54	(257,756.87)	0.00	0.00	214,097.34	214,097.34	0.00	
Mutual Fund	1999 M/F (Woodglen Village)	2.65	05/01/05	06/01/05	0.01	0.01	0.00				0.01	0.01	-	0.00
1999 M/F (Woodglen Village) Total					0.01	0.01	0.00	0.00	0.00	0.00	0.01	0.01	0.00	
Mutual Fund	2000 M/F (Timber Point Apts)	2.65	05/01/05	06/01/05	24,427.58	24,427.58		(13,018.46)			11,409.12	11,409.12	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	2.27	05/01/05	06/01/05	3,502.41	3,502.41	25.09				3,527.50	3,527.50	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	2.27	05/01/05	06/01/05	2.33	2.33	0.00				2.33	2.33	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	2.27	05/01/05	06/01/05	3.53	3.53	0.00				3.53	3.53	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	2.27	05/01/05	06/01/05	102,266.28	102,266.28		(75,198.03)			27,068.25	27,068.25	-	0.00
2000 M/F (Timber Point Apts) Total					130,202.13	130,202.13	25.09	(88,216.49)	0.00	0.00	42,010.73	42,010.73	0.00	
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	54,723.39	54,723.39	62,404.76				117,128.15	117,128.15	-	0.00
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	149,457.23	149,457.23	13,562.90				163,020.13	163,020.13	-	0.00
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	681.83	681.83	3.56				685.39	685.39	-	0.00
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	0.04	0.04	0.00				0.04	0.04	-	0.00
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	93,615.44	93,615.44	417.00				94,032.44	94,032.44	-	0.00
Mutual Fund	2000 A&B M/F (Oaks @ H)	2.27	05/01/05	06/01/05	27,732.85	27,732.85		(7,377.25)			20,355.60	20,355.60	-	0.00
2000 A&B M/F (Oaks @ H) Total					326,210.78	326,210.78	76,388.22	(7,377.25)	0.00	0.00	395,221.75	395,221.75	0.00	
Mutual Fund	2000 M/F (Deerwood Apts)	2.27	05/01/05	06/01/05	0.02	0.02	0.00				0.02	0.02	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Inv Agmt	2000 M/F (Deerwood Apts)	6.15	05/23/00	06/01/32	66,360.12	66,360.12	120,987.70				187,347.82	187,347.82	-	0.00
	2000 M/F (Deerwood Apts) Total				66,360.14	66,360.14	120,987.70	0.00	0.00	0.00	187,347.84	187,347.84	0.00	
Mutual Fund	2000 M/F (Creek Point Apts)	2.65	05/01/05	06/01/05	22,162.12	22,162.12		(3,008.03)			19,154.09	19,154.09	-	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	2.65	05/01/05	06/01/05	61.22	61.22		(51.34)			9.88	9.88	-	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	2.65	05/01/05	06/01/05			0.30				0.30	0.30	-	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	2.65	05/01/05	06/01/05	13,873.28	13,873.28	75,480.89				89,354.17	89,354.17	-	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	2.65	05/01/05	06/01/05	227.04	227.04	0.00				227.04	227.04	-	0.00
	2000 M/F (Creek Point Apts) Total				36,323.66	36,323.66	75,481.19	(3,059.37)	0.00	0.00	108,745.48	108,745.48	0.00	
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	17,500.76	17,500.76	7,528.70				25,029.46	25,029.46	-	0.00
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	152,022.24	152,022.24	13,575.38				165,597.62	165,597.62	-	0.00
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	10.94	10.94	0.06				11.00	11.00	-	0.00
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	261.98	261.98	1.28				263.26	263.26	-	0.00
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	91,054.98	91,054.98	384.18				91,439.16	91,439.16	-	0.00
Mutual Fund	2000 M/F (Parks @ West)	2.27	05/01/05	06/01/05	48,367.26	48,367.26	57,967.17				106,334.43	106,334.43	-	0.00
	2000 M/F (Parks @ West) Total				309,218.16	309,218.16	79,456.77	0.00	0.00	0.00	388,674.93	388,674.93	0.00	
Mutual Fund	2000 A-C MF Highland Mdws	2.65	05/01/05	06/01/05	24,805.20	24,805.20	79,400.33				104,205.53	104,205.53	-	0.00
Mutual Fund	2000 A-C MF Highland Mdws	2.65	05/01/05	06/01/05	112,089.88	112,089.88		(4,853.11)			107,236.77	107,236.77	-	0.00
Mutual Fund	2000 A-C MF Highland Mdws	2.65	05/01/05	06/01/05	38,298.98	38,298.98	181.74				38,480.72	38,480.72	-	0.00
Mutual Fund	2000 A-C MF Highland Mdws				34,600.23	34,600.23		(34,600.23)					-	0.00
Mutual Fund	2000 A-C MF Highland Mdws	2.65	05/01/05	06/01/05	211,527.87	211,527.87		(209,923.07)			1,604.80	1,604.80	-	(0.00)
	2000 A-C MF Highland Mdws Total				421,322.16	421,322.16	79,582.07	(249,376.41)	0.00	0.00	251,527.82	251,527.82	0.00	
Mutual Fund	2000 A/B MF Greenbridge	2.27	05/01/05	06/01/05	33,489.12	33,489.12		(2.03)			33,487.09	33,487.09	-	0.00
Mutual Fund	2000 A/B MF Greenbridge	2.27	05/01/05	06/01/05	76,761.28	76,761.28	38,345.36				115,106.64	115,106.64	-	0.00
Mutual Fund	2000 A/B MF Greenbridge	2.27	05/01/05	06/01/05	11,770.00	11,770.00	11,008.00				22,778.00	22,778.00	-	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
	2000 A/B MF Greenbridge Total				122,025.85	122,025.85	49,353.36	(2.03)	0.00	0.00	171,377.18	171,377.18	0.00	
Mutual Fund	2000 A-C MF Collingham Pk	2.65	05/01/05	06/01/05	30,971.78	30,971.78	56,420.09				87,391.87	87,391.87	-	0.00
Mutual Fund	2000 A-C MF Collingham Pk	2.65	05/01/05	06/01/05	45,166.95	45,166.95	8,585.45				53,752.40	53,752.40	-	0.00
Mutual Fund	2000 A-C MF Collingham Pk	2.65	05/01/05	06/01/05	116,016.43	116,016.43		(82,845.26)			33,171.17	33,171.17	-	0.00
Mutual Fund	2000 A-C MF Collingham Pk	2.65	05/01/05	06/01/05	51,038.92	51,038.92		(37,654.74)			13,384.18	13,384.18	-	0.00
Mutual Fund	2000 A-C MF Collingham Pk	2.65	05/01/05	06/01/05	304,195.32	304,195.32		(223,781.34)			80,413.98	80,413.98	-	0.00
	2000 A-C MF Collingham Pk Total				547,389.40	547,389.40	65,005.54	(344,281.34)	0.00	0.00	268,113.60	268,113.60	0.00	
Mutual Fund	2000 A/B MF Williams Run	2.27	05/01/05	06/01/05	22,513.09	22,513.09		(1.36)			22,511.73	22,511.73	-	0.00
Mutual Fund	2000 A/B MF Williams Run	2.27	05/01/05	06/01/05	14.72	14.72	0.00				14.72	14.72	-	0.00
Mutual Fund	2000 A/B MF Williams Run	2.27	05/01/05	06/01/05	125,867.86	125,867.86		(96,970.64)			28,897.22	28,897.22	-	0.00
Mutual Fund	2000 A/B MF Williams Run	2.27	05/01/05	06/01/05	1,413.37	1,413.37	6.88				1,420.25	1,420.25	-	0.00
Mutual Fund	2000 A/B MF Williams Run	2.27	05/01/05	06/01/05	0.66	0.66	0.00				0.66	0.66	-	0.00
	2000 A/B MF Williams Run Total				149,809.70	149,809.70	6.88	(96,972.00)	0.00	0.00	52,844.58	52,844.58	0.00	
Mutual Fund	2000 A/B MF Red Hills Villas	2.27	05/01/05	06/01/05	737,050.68	737,050.68	3,584.37				740,635.05	740,635.05	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	2.27	05/01/05	06/01/05	8,554.18	8,554.18	6,500.49				15,054.67	15,054.67	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	2.27	05/01/05	06/01/05	94,702.14	94,702.14	9,543.78				104,245.92	104,245.92	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	2.27	05/01/05	06/01/05	7.54	7.54	89,039.24				89,046.78	89,046.78	-	0.00
Mutual Fund	2000 A/B MF Red Hills Villas	2.27	05/01/05	06/01/05	124,942.67	124,942.67	50,673.17				175,615.84	175,615.84	-	0.00
	2000 A/B MF Red Hills Villas Total				965,257.21	965,257.21	159,341.05	0.00	0.00	0.00	1,124,598.26	1,124,598.26	0.00	
Mutual Fund	2001A MF Bluffview Sr. Apts.	2.27	05/01/05	06/01/05	29,583.08	29,583.08		(7,797.22)			21,785.86	21,785.86	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	2.27	05/01/05	06/01/05	58,207.41	58,207.41	59,618.23				117,825.64	117,825.64	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	2.27	05/01/05	06/01/05	89,982.45	89,982.45	13,144.43				103,126.88	103,126.88	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	2.27	05/01/05	06/01/05	97,815.18	97,815.18	36.43				97,851.61	97,851.61	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	2.27	05/01/05	06/01/05	37,302.23	37,302.23	181.41				37,483.64	37,483.64	-	0.00
	2001A MF Bluffview Sr. Apts. Total				312,890.35	312,890.35	72,980.50	(7,797.22)	0.00	0.00	378,073.63	378,073.63	0.00	

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Mutual Fund	2001A MF Knollwood Villas	2.27	05/01/05	06/01/05	21,594.92	21,594.92		(7,494.69)			14,100.23	14,100.23	-	0.00
Mutual Fund	2001A MF Knollwood Villas	2.27	05/01/05	06/01/05	89,215.46	89,215.46	69,656.21				158,871.67	158,871.67	-	0.00
Mutual Fund	2001A MF Knollwood Villas	2.27	05/01/05	06/01/05	55,342.80	55,342.80	13,657.42				69,000.22	69,000.22	-	0.00
Mutual Fund	2001A MF Knollwood Villas	2.27	05/01/05	06/01/05	121,958.23	121,958.23	18.20				121,976.43	121,976.43	-	0.00
	2001A MF Knollwood Villas Total				288,111.41	288,111.41	83,331.83	(7,494.69)	0.00	0.00	363,948.55	363,948.55	0.00	
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	11,963.42	11,963.42	9,614.23				21,577.65	21,577.65	-	0.00
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	83,333.30	83,333.30	24,993.93				108,327.23	108,327.23	-	0.00
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	7,000.00	7,000.00	20,998.72				27,998.72	27,998.72	-	0.00
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	5,912.75	5,912.75		(3,826.76)			2,085.99	2,085.99	-	0.00
Inv Agmt	2001A MF Skyway Villas				43,160.50	43,160.50		(43,160.50)					-	0.00
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	12,500.00	12,500.00	37,497.73				49,997.73	49,997.73	-	0.00
Inv Agmt	2001A MF Skyway Villas	5.00	08/30/04	12/01/34	24,999.99	24,999.99	0.00				24,999.99	24,999.99	-	0.00
Mutual Fund	2001A MF Skyway Villas	2.27	05/01/05	06/01/05	48,067.92	48,067.92	95,817.52				143,885.44	143,885.44	-	0.00
Inv Agmt	2001A MF Skyway Villas	5.00	04/17/03	12/01/34	96,136.84	96,136.84	48,067.92				144,204.76	144,204.76	-	0.00
	2001A MF Skyway Villas Total				333,074.72	333,074.72	236,990.05	(46,987.26)	0.00	0.00	523,077.51	523,077.51	0.00	
Mutual Fund	2001AB MF Cobb Park	2.27	05/01/05	06/01/05	10,296.67	10,296.67	5,962.55				16,259.22	16,259.22	-	0.00
Mutual Fund	2001AB MF Cobb Park	2.27	05/01/05	06/01/05	74,295.24	74,295.24	19,238.60				93,533.84	93,533.84	-	0.00
Mutual Fund	2001AB MF Cobb Park	2.27	05/01/05	06/01/05	69,529.94	69,529.94	8,996.18				78,526.12	78,526.12	-	0.00
Mutual Fund	2001AB MF Cobb Park	2.27	05/01/05	06/01/05	72,346.18	72,346.18	230.48				72,576.66	72,576.66	-	0.00
Mutual Fund	2001AB MF Cobb Park	2.27	05/01/05	06/01/05	51,741.32	51,741.32	251.63				51,992.95	51,992.95	-	0.00
	2001AB MF Cobb Park Total				278,209.35	278,209.35	34,679.44	0.00	0.00	0.00	312,888.79	312,888.79	0.00	
Mutual Fund	2001A MF Greens Road	2.65	05/01/05	06/01/05	377.41	377.41	2.60				380.01	380.01	-	0.00
Mutual Fund	2001A MF Greens Road	2.65	05/01/05	06/01/05	159,732.03	159,732.03		(20,739.06)			138,992.97	138,992.97	-	0.00
Inv Agmt	2001A MF Greens Road	4.01	09/14/01	06/01/34	161.76	161.76	159,964.25				160,126.01	160,126.01	-	0.00
	2001A MF Greens Road Total				160,271.20	160,271.20	159,966.85	(20,739.06)	0.00	0.00	299,498.99	299,498.99	0.00	
Mutual Fund	2001AB MF Meridian	2.65	05/01/05	06/01/05	145.11	145.11	1.18				146.29	146.29	-	0.00
Mutual Fund	2001AB MF Meridian	2.65	05/01/05	06/01/05	2.38	2.38	0.00				2.38	2.38	-	0.00
Mutual Fund	2001AB MF Meridian	2.65	05/01/05	06/01/05	0.01	0.01	0.00				0.01	0.01	-	0.00
Mutual Fund	2001AB MF Meridian	2.65	05/01/05	06/01/05	5,412.16	5,412.16	405,120.15				410,532.31	410,532.31	-	0.00
Mutual Fund	2001AB MF Meridian				14,040.22	14,040.22		(14,040.22)					-	0.00
	2001AB MF Meridian Total				19,599.88	19,599.88	405,121.33	(14,040.22)	0.00	0.00	410,680.99	410,680.99	0.00	
Mutual Fund	2001AB MF Wildwood Branch	2.65	05/01/05	06/01/05	3,478.71	3,478.71	16.51				3,495.22	3,495.22	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	2.65	05/01/05	06/01/05	0.02	0.02	0.00				0.02	0.02	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	2.65	05/01/05	06/01/05	135.96	135.96	428,963.42				429,099.38	429,099.38	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	2.65	05/01/05	06/01/05	39,586.64	39,586.64		(25,479.80)			14,106.84	14,106.84	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	2.65	05/01/05	06/01/05			39,774.47				39,774.47	39,774.47	-	0.00
	2001AB MF Wildwood Branch Total				43,201.33	43,201.33	468,754.40	(25,479.80)	0.00	0.00	486,475.93	486,475.93	0.00	
Mutual Fund	2001ABC MF Fallbrook Apts	2.03	05/01/05	06/01/05			89,319.68				89,319.68	89,319.68	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.65	05/01/05	06/01/05	60,142.41	60,142.41	282.44				60,424.85	60,424.85	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.65	05/01/05	06/01/05	146,920.47	146,920.47		(13,023.57)			133,896.90	133,896.90	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.65	05/01/05	06/01/05	14,000.01	14,000.01	14,078.71				28,078.72	28,078.72	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.65	05/01/05	06/01/05	28,666.66	28,666.66	43,175.07				71,841.73	71,841.73	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.27	05/01/05	06/01/05	149,910.00	149,910.00	226,752.34				376,662.34	376,662.34	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	2.65	05/01/05	06/01/05	31.63	31.63	0.12				31.75	31.75	-	0.00
	2001ABC MF Fallbrook Apts Total				399,671.18	399,671.18	373,608.36	(13,023.57)	0.00	0.00	760,255.97	760,255.97	0.00	
Mutual Fund	2001 MF Oak Hollow Apts				430,000.00	430,000.00		(430,000.00)					-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	2.27	05/01/05	06/01/05	8,709.95	8,709.95	5,780.89				14,490.84	14,490.84	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	2.27	05/01/05	06/01/05	46,068.66	46,068.66	8,000.03				54,068.69	54,068.69	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	2.27	05/01/05	06/01/05	71,987.68	71,987.68		(1,955.06)			70,032.62	70,032.62	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	2.27	05/01/05	06/01/05	51,974.64	51,974.64	43,738.36				95,713.00	95,713.00	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts				590.00	590.00		(590.00)					-	0.00
	2001 MF Oak Hollow Apts Total				609,330.93	609,330.93	57,519.28	(432,545.06)	0.00	0.00	234,305.15	234,305.15	0.00	

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Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	100,000.00	100,000.00		(6.05)			99,993.95	99,993.95	-	0.00
Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	8,746.25	8,746.25	7,370.90				16,117.15	16,117.15	-	0.00
Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	73,267.55	73,267.55	12,295.07				85,562.62	85,562.62	-	0.00
Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	109,149.61	109,149.61	351.19				109,500.80	109,500.80	-	0.00
Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	138,798.46	138,798.46	68,659.19				207,457.65	207,457.65	-	0.00
Autual Fund	2001AB MF Hillside Apts	2.27	05/01/05	06/01/05	137.21	137.21	44.86				182.07	182.07	-	0.00
	2001AB MF Hillside Apts Total				430,099.08	430,099.08	88,721.21	(6.05)	0.00	0.00	518,814.24	518,814.24	0.00	
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	25,927.27	25,927.27	7,480.50				33,407.77	33,407.77	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	0.98	0.98	0.00				0.98	0.98	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	93,360.08	93,360.08		(32,135.36)			61,224.72	61,224.72	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	31,766.47	31,766.47		(19,362.80)			12,403.67	12,403.67	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	97,405.25	97,405.25	137,894.36				235,299.61	235,299.61	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	1,063.90	1,063.90	52,746.38				53,810.28	53,810.28	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	2.42	2.42	0.00				2.42	2.42	-	0.00
Autual Fund	2002A MF Millstone Apts	2.03	05/01/05	06/01/05	13,294.53	13,294.53	38.23				13,332.76	13,332.76	-	0.00
	2002A MF Millstone Apts Total				262,820.90	262,820.90	198,159.47	(51,498.16)	0.00	0.00	409,482.21	409,482.21	0.00	
Autual Fund	2002 MF SugarCreek Apts	2.27	05/01/05	06/01/05			79,991.34				79,991.34	79,991.34	-	0.00
Autual Fund	2002 MF SugarCreek Apts	2.03	05/01/05	06/01/05	8.67	8.67	0.00				8.67	8.67	-	0.00
Autual Fund	2002 MF SugarCreek Apts	2.03	05/01/05	06/01/05	96,086.47	96,086.47	142,413.67				238,500.14	238,500.14	-	0.00
Autual Fund	2002 MF SugarCreek Apts	2.03	05/01/05	06/01/05	6.48	6.48	0.00				6.48	6.48	-	0.00
Autual Fund	2002 MF SugarCreek Apts	2.03	05/01/05	06/01/05	73.48	73.48	0.00				73.48	73.48	-	0.00
Autual Fund	2002 MF SugarCreek Apts	2.03	05/01/05	06/01/05	26.75	26.75	0.00				26.75	26.75	-	0.00
	2002 MF SugarCreek Apts Total				96,201.85	96,201.85	222,405.01	0.00	0.00	0.00	318,606.86	318,606.86	0.00	
Autual Fund	2002 MF West Oaks Apts	2.27	05/01/05	06/01/05	393,891.12	393,891.12	1,915.56				395,806.68	395,806.68	-	0.00
Autual Fund	2002 MF West Oaks Apts	2.27	05/01/05	06/01/05	54,171.84	54,171.84	8,932.32				63,104.16	63,104.16	-	0.00
Autual Fund	2002 MF West Oaks Apts	2.27	05/01/05	06/01/05	305.64	305.64	86,917.34				87,222.98	87,222.98	-	0.00
Autual Fund	2002 MF West Oaks Apts	2.27	05/01/05	06/01/05	3,881.85	3,881.85	5,814.13				9,695.98	9,695.98	-	0.00
Autual Fund	2002 MF West Oaks Apts	2.27	05/01/05	06/01/05	65,494.73	65,494.73		(28,906.02)			36,588.71	36,588.71	-	0.00
	2002 MF West Oaks Apts Total				517,745.18	517,745.18	103,579.35	(28,906.02)	0.00	0.00	592,418.51	592,418.51	0.00	
Autual Fund	2002 Park Meadows	2.65	05/01/05	06/01/05	180,246.51	180,246.51	84,383.79				264,630.30	264,630.30	-	0.00
Autual Fund	2002 Park Meadows	2.65	05/01/05	06/01/05	39,287.16	39,287.16	186.47				39,473.63	39,473.63	-	0.00
	2002 Park Meadows Total				219,533.67	219,533.67	84,570.26	0.00	0.00	0.00	304,103.93	304,103.93	0.00	
Autual Fund	2002 MF Clarkridge Villas	2.27	05/01/05	06/01/05	42,510.15	42,510.15	101,755.27				144,265.42	144,265.42	-	0.00
Autual Fund	2002 MF Clarkridge Villas	2.27	05/01/05	06/01/05	45,700.69	45,700.69	13,045.55				58,746.24	58,746.24	-	0.00
Autual Fund	2002 MF Clarkridge Villas	2.27	05/01/05	06/01/05	130,102.47	130,102.47		(372.17)			129,730.30	129,730.30	-	0.00
	2002 MF Clarkridge Villas Total				218,313.31	218,313.31	114,800.82	(372.17)	0.00	0.00	332,741.96	332,741.96	0.00	
Autual Fund	2002 MF Hickory Trace	2.27	05/01/05	06/01/05	6,410.98	6,410.98	4,890.82				11,301.80	11,301.80	-	0.00
Autual Fund	2002 MF Hickory Trace	2.27	05/01/05	06/01/05	24,091.45	24,091.45	9,132.83				33,224.28	33,224.28	-	0.00
Autual Fund	2002 MF Hickory Trace	2.27	05/01/05	06/01/05	102,907.14	102,907.14	6.29				102,913.43	102,913.43	-	0.00
Autual Fund	2002 MF Hickory Trace	2.27	05/01/05	06/01/05	26.28	26.28		(7.46)			18.82	18.82	-	0.00
Autual Fund	2002 MF Hickory Trace	2.27	05/01/05	06/01/05	17,519.00	17,519.00	71,435.24				88,954.24	88,954.24	-	0.00
	2002 MF Hickory Trace Total				150,954.85	150,954.85	85,465.18	(7.46)	0.00	0.00	236,412.57	236,412.57	0.00	
Autual Fund	2002 MF Green Crest Apts	2.27	05/01/05	06/01/05	61,975.88	61,975.88		(10,886.73)			51,089.15	51,089.15	-	0.00
Autual Fund	2002 MF Green Crest Apts	2.27	05/01/05	06/01/05	28,914.11	28,914.11	9,749.25				38,663.36	38,663.36	-	0.00
Autual Fund	2002 MF Green Crest Apts	2.27	05/01/05	06/01/05	958,868.74	958,868.74	4,663.10				963,531.84	963,531.84	-	0.00
Autual Fund	2002 MF Green Crest Apts	2.27	05/01/05	06/01/05			0.02				0.02	0.02	-	0.00
Autual Fund	2002 MF Green Crest Apts	2.27	05/01/05	06/01/05	7,061.17	7,061.17	4,180.44				11,241.61	11,241.61	-	0.00
	2002 MF Green Crest Apts Total				1,056,819.90	1,056,819.90	18,592.81	(10,886.73)	0.00	0.00	1,064,525.98	1,064,525.98	0.00	
Autual Fund	2002 AB MF Ironwood	2.27	05/01/05	06/01/05	380,179.80	380,179.80		(229,484.79)			150,695.01	150,695.01	-	0.00
Autual Fund	2002 AB MF Ironwood	2.27	05/01/05	06/01/05	839,998.48	839,998.48		(839,996.13)			2.35	2.35	-	(0.00)

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Mutual Fund	2002 AB MF Ironwood	2.27	05/01/05	06/01/05	344,671.77	344,671.77		(330,782.33)			13,889.44	13,889.44	-	0.00
Mutual Fund	2002 AB MF Ironwood	2.27	05/01/05	06/01/05	262,160.46	262,160.46		(63,406.27)			198,754.19	198,754.19	-	0.00
	2002 AB MF Ironwood Total				1,827,010.51	1,827,010.51	0.00	(1,463,669.52)	0.00	0.00	363,340.99	363,340.99	0.00	
Mutual Fund	2002 MF Woodway Village	2.31	05/01/05	06/01/05	4,053.80	4,053.80	1,539.34				5,593.14	5,593.14	-	0.00
Mutual Fund	2002 MF Woodway Village	2.27	05/01/05	06/01/05	8.20	8.20	0.00				8.20	8.20	-	0.00
Mutual Fund	2002 MF Woodway Village	2.27	05/01/05	06/01/05	10,117.37	10,117.37		(4,509.07)			5,608.30	5,608.30	-	0.00
Mutual Fund	2002 MF Woodway Village	2.27	05/01/05	06/01/05	283,668.56	283,668.56	1,239.25				284,907.81	284,907.81	-	0.00
Mutual Fund	2002 MF Woodway Village	2.27	05/01/05	06/01/05	40.69	40.69	0.00				40.69	40.69	-	0.00
	2002 MF Woodway Village Total				297,888.62	297,888.62	2,778.59	(4,509.07)	0.00	0.00	296,158.14	296,158.14	0.00	
Mutual Fund	2003 AB MF North Vista	2.65	05/01/05	06/01/05	711,180.30	711,180.30	3,635.28				714,815.58	714,815.58	-	0.00
Mutual Fund	2003 AB MF North Vista	2.65	05/01/05	06/01/05	17,709.87	17,709.87	90.49				17,800.36	17,800.36	-	0.00
Mutual Fund	2003 AB MF North Vista	2.65	05/01/05	06/01/05	141,787.00	141,787.00	107,798.31				249,585.31	249,585.31	-	0.00
Mutual Fund	2003 AB MF North Vista	2.65	05/01/05	06/01/05	231.25	231.25	1.20				232.45	232.45	-	0.00
Mutual Fund	2003 AB MF North Vista	2.65	05/01/05	06/01/05	1,416.27	1,416.27	7.19				1,423.46	1,423.46	-	0.00
	2003 AB MF North Vista Total				872,324.69	872,324.69	111,532.47	0.00	0.00	0.00	983,857.16	983,857.16	0.00	
Mutual Fund	2003 AB MF West Virginia	2.65	05/01/05	06/01/05			7,549.41				7,549.41	7,549.41	-	0.00
Mutual Fund	2003 AB MF West Virginia	2.27	05/01/05	06/01/05	1,066.00	1,066.00	6.09				1,072.09	1,072.09	-	0.00
Mutual Fund	2003 AB MF West Virginia	2.65	05/01/05	06/01/05	67,919.39	67,919.39	185,247.96				253,167.35	253,167.35	-	0.00
Mutual Fund	2003 AB MF West Virginia	2.65	05/01/05	06/01/05	39.93	39.93	1.52				41.45	41.45	-	0.00
Mutual Fund	2003 AB MF West Virginia	2.65	05/01/05	06/01/05	31,158.99	31,158.99	178.12				31,337.11	31,337.11	-	0.00
Mutual Fund	2003 AB MF West Virginia				6.91	6.91		(6.91)					-	0.00
	2003 AB MF West Virginia Total				100,191.22	100,191.22	192,983.10	(6.91)	0.00	0.00	293,167.41	293,167.41	0.00	
GNMA	2003AB MF Sphinx	5.10	12/30/04	12/15/42	15,064,981.91	15,064,981.91			(30,969.87)		15,034,012.04	15,034,012.04	-	0.00
Mutual Fund	2003AB MF Sphinx	2.27	05/01/05	06/01/05			74,333.74				74,333.74	74,333.74	-	0.00
Inv Agmt	2003AB MF Sphinx	2.51	05/13/03	12/01/42	162,845.04	162,845.04	142,718.11				305,563.15	305,563.15	-	0.00
	2003AB MF Sphinx Total				15,227,826.95	15,227,826.95	217,051.85	0.00	(30,969.87)	0.00	15,413,908.93	15,413,908.93	0.00	
Mutual Fund	2003 AB MF Primrose	2.27	05/01/05	06/01/05	52.42	52.42	0.24				52.66	52.66	-	0.00
Mutual Fund	2003 AB MF Primrose	2.31	05/01/05	06/01/05	18.44	18.44	81,459.91				81,478.35	81,478.35	-	0.00
Mutual Fund	2003 AB MF Primrose	2.27	05/01/05	06/01/05	423.64	423.64	2.06				425.70	425.70	-	0.00
Mutual Fund	2003 AB MF Primrose	2.27	05/01/05	06/01/05	5.27	5.27	335,111.38				335,116.65	335,116.65	-	0.00
Inv Agmt	2003 AB MF Primrose				334,676.74	334,676.74		(334,676.74)					-	0.00
Mutual Fund	2003 AB MF Primrose	2.27	05/01/05	06/01/05	81,416.67	81,416.67		(81,414.21)			2.46	2.46	-	0.00
Inv Agmt	2003 AB MF Primrose				2,723.80	2,723.80		(2,723.80)					-	0.00
Mutual Fund	2003 AB MF Primrose	2.27	05/01/05	06/01/05	137.40	137.40	0.66				138.06	138.06	-	0.00
	2003 AB MF Primrose Total				419,454.38	419,454.38	416,574.25	(418,814.75)	0.00	0.00	417,213.88	417,213.88	0.00	
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05			18,791.27				18,791.27	18,791.27	-	0.00
Mutual Fund	2003 AB MF Timber Oaks				144,888.73	144,888.73		(144,888.73)					-	0.00
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05	0.83	0.83	293,393.21				293,394.04	293,394.04	-	0.00
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05			17,644.38				17,644.38	17,644.38	-	0.00
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05	0.02	0.02	0.00				0.02	0.02	-	0.00
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05	91,613.17	91,613.17		(77,927.36)			13,685.81	13,685.81	-	0.00
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05	155.33	155.33		(155.14)			0.19	0.19	-	(0.00)
Mutual Fund	2003 AB MF Timber Oaks	2.27	05/01/05	06/01/05			18,446.40				18,446.40	18,446.40	-	0.00
	2003 AB MF Timber Oaks Total				236,658.08	236,658.08	348,275.26	(222,971.23)	0.00	0.00	361,962.11	361,962.11	0.00	
Mutual Fund	2003 AB MF Ash Creek	2.27	05/01/05	06/01/05			347.92				347.92	347.92	-	0.00
Mutual Fund	2003 AB MF Ash Creek	2.27	05/01/05	06/01/05			415,808.60				415,808.60	415,808.60	-	0.00
Mutual Fund	2003 AB MF Ash Creek				1,416.89	1,416.89		(1,416.89)					-	0.00
Inv Agmt	2003 AB MF Ash Creek				126,274.02	126,274.02		(126,274.02)					-	0.00
Inv Agmt	2003 AB MF Ash Creek				415,833.77	415,833.77		(415,833.77)					-	0.00
Mutual Fund	2003 AB MF Ash Creek	2.27	05/01/05	06/01/05	147.00	147.00		(0.01)			146.99	146.99	-	0.00
Mutual Fund	2003 AB MF Ash Creek	2.27	05/01/05	06/01/05	4.66	4.66	79,180.93				79,185.59	79,185.59	-	0.00
Mutual Fund	2003 AB MF Ash Creek	2.27	05/01/05	06/01/05	10,812.65	10,812.65	52.58				10,865.23	10,865.23	-	0.00

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2003 AB MF Ash Creek Total					554,488.99	554,488.99	495,390.03	(543,524.69)	0.00	0.00	506,354.33	506,354.33	0.00	
Mutual Fund	2003 AB MF Peninsula	2.27	05/01/05	06/01/05	51.68	51.68	0.31				51.99	51.99	-	0.00
Mutual Fund	2003 AB MF Peninsula	2.27	05/01/05	06/01/05	3,868.02	3,868.02	23.40				3,891.42	3,891.42	-	0.00
Mutual Fund	2003 AB MF Peninsula	2.27	05/01/05	06/01/05	170.32	170.32	1.03				171.35	171.35	-	0.00
Mutual Fund	2003 AB MF Peninsula	2.27	05/01/05	06/01/05	327,881.80	327,881.80		(135,987.02)			191,894.78	191,894.78	-	0.00
Mutual Fund	2003 AB MF Peninsula				16,724.49	16,724.49		(16,724.49)					-	0.00
2003 AB MF Peninsula Total					348,696.31	348,696.31	24.74	(152,711.51)	0.00	0.00	196,009.54	196,009.54	0.00	
Mutual Fund	2003 A MF Evergreen				391.82	391.82		(391.82)					-	0.00
Mutual Fund	2003 A MF Evergreen	2.27	05/01/05	06/01/05	848,175.84	848,175.84		(846,893.19)			1,282.65	1,282.65	-	0.00
Mutual Fund	2003 A MF Evergreen	2.27	05/01/05	06/01/05	94.31	94.31		(93.62)			0.69	0.69	-	(0.00)
Mutual Fund	2003 A MF Evergreen	2.27	05/01/05	06/01/05	473,404.11	473,404.11		(473,005.89)			398.22	398.22	-	(0.00)
2003 A MF Evergreen Total					1,322,066.08	1,322,066.08	0.00	(1,320,384.52)	0.00	0.00	1,681.56	1,681.56	0.00	
Mutual Fund	2003 AB Arlington Villas	2.27	05/01/05	06/01/05	269,914.23	269,914.23	228,673.96				498,588.19	498,588.19	-	0.00
Mutual Fund	2003 AB Arlington Villas	2.27	05/01/05	06/01/05	10,014.67	10,014.67	94,133.54				104,148.21	104,148.21	-	0.00
Mutual Fund	2003 AB Arlington Villas	2.27	05/01/05	06/01/05	13,411.50	13,411.50	418,040.06				431,451.56	431,451.56	-	0.00
Mutual Fund	2003 AB Arlington Villas				509,946.58	509,946.58		(509,946.58)					-	0.00
Mutual Fund	2003 AB Arlington Villas	2.27	05/01/05	06/01/05	571,611.63	571,611.63		(157,170.59)			414,441.04	414,441.04	-	0.00
Mutual Fund	2003 AB Arlington Villas				159,797.66	159,797.66		(159,797.66)					-	0.00
Mutual Fund	2003 AB Arlington Villas	2.27	05/01/05	06/01/05	2,886.79	2,886.79	14.04				2,900.83	2,900.83	-	0.00
2003 AB Arlington Villas Total					1,537,583.06	1,537,583.06	740,861.60	(826,914.83)	0.00	0.00	1,451,529.83	1,451,529.83	0.00	
Mutual Fund	2003 AB Parkview Twnhms	2.27	05/01/05	06/01/05	29.93	29.93	0.14				30.07	30.07	-	0.00
Mutual Fund	2003 AB Parkview Twnhms				1,533,862.33	1,533,862.33		(1,533,862.33)					-	0.00
Mutual Fund	2003 AB Parkview Twnhms				62,469.93	62,469.93		(62,469.93)					-	0.00
Mutual Fund	2003 AB Parkview Twnhms				175,036.96	175,036.96		(175,036.96)					-	0.00
Mutual Fund	2003 AB Parkview Twnhms	1.31	12/23/03	12/01/05	200,000.00	200,000.00	0.00				200,000.00	200,000.00	-	0.00
Mutual Fund	2003 AB Parkview Twnhms	2.27	05/01/05	06/01/05	461.41	461.41	256.74				718.15	718.15	-	0.00
2003 AB Parkview Twnhms Total					1,971,860.56	1,971,860.56	256.88	(1,771,369.22)	0.00	0.00	200,748.22	200,748.22	0.00	
Mutual Fund	2003 MF NHP-Asmara-Rfdng	2.27	05/01/05	06/01/05	68,437.51	68,437.51	26,517.49				94,955.00	94,955.00	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				206,662.45	206,662.45			(206,662.45)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				208,662.88	208,662.88			(208,662.88)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				201,026.67	201,026.67			(201,026.67)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	1.80	01/26/04	06/15/05	200,536.54	200,536.54	0.00				200,536.54	200,536.54	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	7.00	04/07/04	07/15/05	214,448.00	214,448.00	0.00				214,448.00	214,448.00	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	1.50	05/10/04	08/26/05	350,273.00	350,273.00	0.00				350,273.00	350,273.00	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	0.00	04/15/05	06/15/05			199,237.50				199,237.50	199,237.50	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	0.00	04/27/05	07/05/05			199,093.42				199,093.42	199,093.42	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	0.00	05/13/05	07/26/05			198,988.67				198,988.67	198,988.67	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	0.90	03/15/05	06/21/05			198,647.06				198,647.06	198,647.06	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	0.00	04/19/05	07/25/05			347,576.35				347,576.35	347,576.35	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				198,980.00	198,980.00			(198,980.00)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				198,983.11	198,983.11			(198,983.11)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				348,106.70	348,106.70			(348,106.70)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				199,225.56	199,225.56			(199,225.56)				-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	2.27	05/01/05	06/01/05	420,110.92	420,110.92	22,765.01				442,875.93	442,875.93	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	2.27	05/01/05	06/01/05	61.97	61.97	0.31				62.28	62.28	-	0.00
Treasury Note	2003 MF NHP-Asmara-Rfdng	1.73	12/15/03	07/01/05	704,233.00	704,233.00	0.00				704,233.00	704,233.00	-	0.00
Treasury Note	2003 MF NHP-Asmara-Rfdng	2.07	12/15/03	01/01/06	697,495.00	697,495.00	0.00				697,495.00	697,495.00	-	0.00
Treasury Note	2003 MF NHP-Asmara-Rfdng	2.35	12/15/03	07/01/06	712,029.00	712,029.00	0.00				712,029.00	712,029.00	-	0.00
Treasury Note	2003 MF NHP-Asmara-Rfdng	2.59	12/15/03	01/01/07	24,349,975.00	24,349,975.00	0.00				24,349,975.00	24,349,975.00	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	2.27	05/01/05	06/01/05	0.22	0.22	0.00				0.22	0.22	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng	2.27	05/01/05	06/01/05	16.65	16.65	0.08				16.73	16.73	-	0.00
Mutual Fund	2003 MF NHP-Asmara-Rfdng				5,163.43	5,163.43			(5,163.43)				-	0.00
2003 MF NHP-Asmara-Rfdng Total					29,284,427.61	29,284,427.61	1,192,825.89	0.00	(1,566,810.80)	0.00	28,910,442.70	28,910,442.70	0.00	

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Mutual Fund	2004 A&B Timber Ridge	2.27	05/01/05	06/01/05	1,631.66	1,631.66	3,263.61				4,895.27	4,895.27	-	0.00
Mutual Fund	2004 A&B Timber Ridge				64.28	64.28		(64.28)					-	0.00
Mutual Fund	2004 A&B Timber Ridge	2.27	05/01/05	06/01/05	451.62	451.62	356.58				808.20	808.20	-	0.00
Mutual Fund	2004 A&B Timber Ridge				180.59	180.59		(180.59)					-	0.00
Inv Agmt	2004 A&B Timber Ridge	0.90	01/28/04	06/01/05	33,123.58	33,123.58	0.00				33,123.58	33,123.58	-	0.00
Inv Agmt	2004 A&B Timber Ridge	0.90	01/28/04	06/01/05	193,826.41	193,826.41	87.29				193,913.70	193,913.70	-	0.00
Mutual Fund	2004 A&B Timber Ridge	2.27	05/01/05	06/01/05	1.57	1.57	319.95				321.52	321.52	-	0.00
Mutual Fund	2004 A&B Timber Ridge				150.23	150.23		(150.23)					-	0.00
Inv Agmt	2004 A&B Timber Ridge	0.90	01/28/04	06/01/05	131,599.62	131,599.62		(131,012.38)			587.24	587.24	-	0.00
	2004 A&B Timber Ridge Total				361,029.56	361,029.56	4,027.43	(131,407.48)	0.00	0.00	233,649.51	233,649.51	0.00	
Mutual Fund	2004 A&B Century Park	2.27	05/01/05	06/01/05	13,833.55	13,833.55	7,748.90				21,582.45	21,582.45	-	0.00
Mutual Fund	2004 A&B Century Park	2.27	05/01/05	06/01/05	49,833.40	49,833.40		(37,374.98)			12,458.42	12,458.42	-	0.00
Mutual Fund	2004 A&B Century Park	2.27	05/01/05	06/01/05	84.61	84.61	31,530.96				31,615.57	31,615.57	-	0.00
Inv Agmt	2004 A&B Century Park				1,835,643.14	1,835,643.14		(1,835,643.14)					-	0.00
Mutual Fund	2004 A&B Century Park	2.27	05/01/05	06/01/05	628.73	628.73	1,408.01				2,036.74	2,036.74	-	0.00
Mutual Fund	2004 A&B Century Park				901.10	901.10		(901.10)					-	0.00
Mutual Fund	2004 A&B Century Park	2.27	05/01/05	06/01/05	183,733.41	183,733.41	137,783.34				321,516.75	321,516.75	-	0.00
Inv Agmt	2004 A&B Century Park				0.22	0.22		(0.22)					-	0.00
	2004 A&B Century Park Total				2,084,658.16	2,084,658.16	178,471.21	(1,873,919.44)	0.00	0.00	389,209.93	389,209.93	0.00	
Mutual Fund	2004 A Addison Park	2.27	05/01/05	06/01/05	283.75	283.75	30.28				314.03	314.03	-	0.00
Mutual Fund	2004 A Addison Park	2.27	05/01/05	06/01/05			32.55				32.55	32.55	-	0.00
Mutual Fund	2004 A Addison Park	2.27	05/01/05	06/01/05	0.29	0.29	0.00				0.29	0.29	-	0.00
Mutual Fund	2004 A Addison Park	2.27	05/01/05	06/01/05	162,450.11	162,450.11		(90,154.35)			72,295.76	72,295.76	-	0.00
Mutual Fund	2004 A Addison Park	2.27	05/01/05	06/01/05	10.65	10.65	0.06				10.71	10.71	-	0.00
	2004 A Addison Park Total				162,744.80	162,744.80	62.89	(90,154.35)	0.00	0.00	72,653.34	72,653.34	0.00	
Mutual Fund	2004 A&B MF Veterans	2.27	05/01/05	06/01/05	32,486.81	32,486.81		(32,373.71)			113.10	113.10	-	(0.00)
Inv Agmt	2004 A&B MF Veterans				92,390.81	92,390.81		(92,390.81)					-	0.00
Mutual Fund	2004 A&B MF Veterans				10,084.85	10,084.85		(10,084.85)					-	0.00
Mutual Fund	2004 A&B MF Veterans	2.27	05/01/05	06/01/05	592,028.69	592,028.69		(590,762.87)			1,265.82	1,265.82	-	(0.00)
Inv Agmt	2004 A&B MF Veterans				418,393.22	418,393.22		(418,393.22)					-	0.00
Mutual Fund	2004 A&B MF Veterans	2.27	05/01/05	06/01/05	9,835.07	9,835.07		(9,834.91)			0.16	0.16	-	(0.00)
	2004 A&B MF Veterans Total				1,155,219.45	1,155,219.45	0.00	(1,153,840.37)	0.00	0.00	1,379.08	1,379.08	0.00	
Inv Agmt	2004 MF Rush Creek Apts				171,191.19	171,191.19		(171,191.19)					-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05			350,000.00				350,000.00	350,000.00	-	0.00
Mutual Fund	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	1,164,850.00	1,164,850.00		(785,899.28)			378,950.72	378,950.72	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	45,108.68	45,108.68		(45,078.14)			30.54	30.54	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05			1,078.89				1,078.89	1,078.89	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	910.71	910.71	170,151.55				171,062.26	171,062.26	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05			388.85				388.85	388.85	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	18,000.00	18,000.00		(1.21)			17,998.79	17,998.79	-	0.00
Mutual Fund	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	97,923.65	97,923.65		(83,695.86)			14,227.79	14,227.79	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	96,952.77	96,952.77		(45,073.59)			51,879.18	51,879.18	-	0.00
Money Market	2004 MF Rush Creek Apts	2.27	05/01/05	06/01/05	403,083.83	403,083.83	140,063.77				543,147.60	543,147.60	-	0.00
	2004 MF Rush Creek Apts Total				1,998,020.83	1,998,020.83	661,683.06	(1,130,939.27)	0.00	0.00	1,528,764.62	1,528,764.62	0.00	
Inv Agmt	2004 MF Humble Parkway	1.20	02/05/04	12/31/05	366,381.32	366,381.32		(201,175.01)			165,206.31	165,206.31	-	0.00
Inv Agmt	2004 MF Humble Parkway				1,675,143.75	1,675,143.75		(1,675,143.75)					-	0.00
Inv Agmt	2004 MF Humble Parkway	1.20	02/05/04	12/31/05	252,740.69	252,740.69	0.00				252,740.69	252,740.69	-	0.00
Inv Agmt	2004 MF Humble Parkway	0.04	04/28/04	02/01/10	136,860.30	136,860.30	196,135.40				332,995.70	332,995.70	-	0.00
Mutual Fund	2004 MF Humble Parkway	2.27	05/01/05	06/01/05	8,116.70	8,116.70	8,124.20				16,240.90	16,240.90	-	0.00
Mutual Fund	2004 MF Humble Parkway	2.27	05/01/05	06/01/05	151,015.97	151,015.97	1,687,389.52				1,838,405.49	1,838,405.49	-	0.00
	2004 MF Humble Parkway Total				2,590,258.73	2,590,258.73	1,891,649.12	(1,876,318.76)	0.00	0.00	2,605,589.09	2,605,589.09	0.00	
Money Market	2004 MF Chisholm Trail Apts	2.65	05/01/05	06/01/05	2,469.95	2,469.95	4,755.93				7,225.88	7,225.88	-	0.00
Money Market	2004 MF Chisholm Trail Apts	2.65	05/01/05	06/01/05	5.95	5.95	0.00				5.95	5.95	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Inv Agmt	2004 MF Chisholm Trail Apts	0.60	04/13/04	10/01/05	232,880.54	232,880.54		(21,068.84)			211,811.70	211,811.70	-	0.00
Inv Agmt	2004 MF Chisholm Trail Apts	0.60	04/13/04	10/01/05	718.35	718.35	0.00				718.35	718.35	-	0.00
Money Market	2004 MF Chisholm Trail Apts	2.65	05/01/05	06/01/05	82,601.01	82,601.01	12,045.81				94,646.82	94,646.82	-	0.00
Inv Agmt	2004 MF Chisholm Trail Apts	0.60	04/13/04	10/01/05	3,178,885.17	3,178,885.17		(2,308,692.54)			870,192.63	870,192.63	-	0.00
Money Market	2004 MF Chisholm Trail Apts	2.65	05/01/05	06/01/05	28,786.44	28,786.44	147.19				28,933.63	28,933.63	-	0.00
Money Market	2004 MF Chisholm Trail Apts	2.65	05/01/05	06/01/05	1,777.87	1,777.87	261.07				2,038.94	2,038.94	-	0.00
Inv Agmt	2004 MF Chisholm Trail Apts	0.60	04/13/04	10/01/05	87,117.01	87,117.01		(68,314.54)			18,802.47	18,802.47	-	0.00
Money Market	2004 MF Chisholm Trail Apts	2.42	05/01/05	06/01/05	153,749.48	153,749.48	786.12				154,535.60	154,535.60	-	0.00
2004 MF Chisholm Trail Apts Total					3,768,991.77	3,768,991.77	17,996.12	(2,398,075.92)	0.00	0.00	1,388,911.97	1,388,911.97	0.00	
Money Market	2004 MF Evergreen @ Plano	2.31	05/01/05	06/01/05	19,751.59	19,751.59	78.20				19,829.79	19,829.79	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.27	05/01/05	06/01/05			677,656.96				677,656.96	677,656.96	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.27	05/01/05	06/01/05	7,837,417.46	7,837,417.46		(2,852,293.42)			4,985,124.04	4,985,124.04	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.65	05/01/05	06/01/05	0.18	0.18	0.00				0.18	0.18	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.31	05/01/05	06/01/05	85,161.00	85,161.00	0.00				85,161.00	85,161.00	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.31	05/01/05	06/01/05	45,306.92	45,306.92	250,036.12				295,343.04	295,343.04	-	0.00
Money Market	2004 MF Evergreen @ Plano	2.31	05/01/05	06/01/05			92,631.67				92,631.67	92,631.67	-	0.00
2004 MF Evergreen @ Plano Total					7,987,637.15	7,987,637.15	1,020,402.95	(2,852,293.42)	0.00	0.00	6,155,746.68	6,155,746.68	0.00	
Mutual Fund	2004 MF Montgomery Pines	2.65	05/01/05	06/01/05	2,629.20	2,629.20	316.60				2,945.80	2,945.80	-	0.00
Inv Agmt	2004 MF Montgomery Pines	1.81	05/27/04	12/15/05	147,989.40	147,989.40		(105,385.52)			42,603.88	42,603.88	-	0.00
Mutual Fund	2004 MF Montgomery Pines	2.65	05/01/05	06/01/05	27,911.43	27,911.43		(2,544.12)			25,367.31	25,367.31	-	0.00
Inv Agmt	2004 MF Montgomery Pines	1.81	05/27/04	12/15/05	28,460.48	28,460.48		(20,576.43)			7,884.05	7,884.05	-	0.00
Mutual Fund	2004 MF Montgomery Pines	2.65	05/01/05	06/01/05	650.60	650.60	142.11				792.71	792.71	-	0.00
Inv Agmt	2004 MF Montgomery Pines	1.81	05/27/04	12/15/05	50,864.60	50,864.60	0.00				50,864.60	50,864.60	-	0.00
Mutual Fund	2004 MF Montgomery Pines	2.65	05/01/05	06/01/05	119,548.30	119,548.30	33,495.01				153,043.31	153,043.31	-	0.00
Inv Agmt	2004 MF Montgomery Pines	1.81	05/27/04	12/15/05	6,240,969.26	6,240,969.26		(5,153,447.55)			1,087,521.71	1,087,521.71	-	0.00
Money Market	2004 MF Montgomery Pines	2.42	05/01/05	06/01/05	19,122.33	19,122.33		(18,877.44)			244.89	244.89	-	(0.00)
2004 MF Montgomery Pines Total					6,638,145.60	6,638,145.60	33,953.72	(5,300,831.06)	0.00	0.00	1,371,268.26	1,371,268.26	0.00	
Mutual Fund	2004 MF Bristol Apts	2.65	05/01/05	06/01/05	5,055.80	5,055.80	1,214.02				6,269.82	6,269.82	-	0.00
Inv Agmt	2004 MF Bristol Apts	1.85	05/28/04	05/15/06	277,724.82	277,724.82		(111,575.38)			166,149.44	166,149.44	-	0.00
Mutual Fund	2004 MF Bristol Apts	2.65	05/01/05	06/01/05	98,092.47	98,092.47	94.32				98,186.79	98,186.79	-	0.00
Inv Agmt	2004 MF Bristol Apts	1.85	05/28/04	05/15/06	380,617.99	380,617.99		(23,421.55)			357,196.44	357,196.44	-	0.00
Mutual Fund	2004 MF Bristol Apts	2.65	05/01/05	06/01/05	127,490.84	127,490.84	30,716.56				158,207.40	158,207.40	-	0.00
Inv Agmt	2004 MF Bristol Apts	1.85	05/28/04	05/15/06	8,303,198.30	8,303,198.30		(4,861,549.83)			3,441,648.47	3,441,648.47	-	0.00
Mutual Fund	2004 MF Bristol Apts	2.42	05/01/05	06/01/05	19,882.08	19,882.08	101.66				19,983.74	19,983.74	-	0.00
2004 MF Bristol Apts Total					9,212,062.30	9,212,062.30	32,126.56	(4,996,546.76)	0.00	0.00	4,247,642.10	4,247,642.10	0.00	
Mutual Fund	2004 MF Pinnacle Apts	2.65	05/01/05	06/01/05	6,101.91	6,101.91	1,632.21				7,734.12	7,734.12	-	0.00
Inv Agmt	2004 MF Pinnacle Apts	1.81	05/28/04	05/15/06	299,080.65	299,080.65		(107,335.42)			191,745.23	191,745.23	-	0.00
Mutual Fund	2004 MF Pinnacle Apts	2.65	05/01/05	06/01/05	99,646.30	99,646.30		(969.67)			98,676.63	98,676.63	-	0.00
Inv Agmt	2004 MF Pinnacle Apts	1.81	05/28/04	05/15/06	250,692.17	250,692.17		(24,771.13)			225,921.04	225,921.04	-	0.00
Mutual Fund	2004 MF Pinnacle Apts	2.42	05/01/05	06/01/05	139,826.96	139,826.96	33,986.63				173,813.59	173,813.59	-	0.00
Inv Agmt	2004 MF Pinnacle Apts	1.81	05/28/04	05/15/06	9,273,516.78	9,273,516.78		(4,523,452.87)			4,750,063.91	4,750,063.91	-	0.00
Mutual Fund	2004 MF Pinnacle Apts	2.42	05/01/05	06/01/05	19,296.37	19,296.37	98.66				19,395.03	19,395.03	-	0.00
2004 MF Pinnacle Apts Total					10,088,161.14	10,088,161.14	35,717.50	(4,656,529.09)	0.00	0.00	5,467,349.55	5,467,349.55	0.00	
Mutual Fund	2004 MF Tranquility Bay Apts	2.31	05/01/05	06/01/05	2,109,382.60	2,109,382.60		(172,026.75)			1,937,355.85	1,937,355.85	-	0.00
Mutual Fund	2004 MF Tranquility Bay Apts	2.31	05/01/05	06/01/05	369,323.00	369,323.00	0.00				369,323.00	369,323.00	-	0.00
Inv Agmt	2004 MF Tranquility Bay Apts	3.00	07/13/04	07/31/05			391,929.20				391,929.20	391,929.20	-	0.00
Mutual Fund	2004 MF Tranquility Bay Apts				681,448.52	681,448.52		(681,448.52)					-	0.00
Mutual Fund	2004 MF Tranquility Bay Apts	2.31	05/01/05	06/01/05	100,000.00	100,000.00	0.00				100,000.00	100,000.00	-	0.00
Mutual Fund	2004 MF Tranquility Bay Apts	2.31	05/01/05	06/01/05	314,345.09	314,345.09		(138,426.65)			175,918.44	175,918.44	-	0.00
2004 MF Tranquility Bay Apts Total					3,574,499.21	3,574,499.21	391,929.20	(991,901.92)	0.00	0.00	2,974,526.49	2,974,526.49	0.00	
3NMA	2004 MF Sphinx @ Delafield	5.42	08/12/04	05/15/07	2,608,935.00	2,608,935.00	2,492,933.00				5,101,868.00	5,101,868.00	-	0.00
Inv Agmt	2004 MF Sphinx @ Delafield	1.90	07/13/04	01/31/06	8,771,064.55	8,771,064.55		(2,492,933.00)			6,278,131.55	6,278,131.55	-	0.00
Money Market	2004 MF Sphinx @ Delafield				118,252.99	118,252.99		(118,252.99)					-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Inv Agmt	2004 MF Sphinx @ Delafield	3.00	11/22/04	01/20/44	10,795.27	10,795.27	161,347.80				172,143.07	172,143.07	-	0.00
Money Market	2004 MF Sphinx @ Delafield	2.27	05/01/05	06/01/05	2,610.80	2,610.80		(2,136.78)			474.02	474.02	-	0.00
Inv Agmt	2004 MF Sphinx @ Delafield	1.90	07/13/04	01/31/06	26,004.72	26,004.72		(7,640.39)			18,364.33	18,364.33	-	0.00
Mutual Fund	2004 MF Sphinx @ Delafield	2.27	05/01/05	06/01/05	6,358.01	6,358.01		(4,219.08)			2,138.93	2,138.93	-	0.00
2004 MF Sphinx @ Delafield Total					11,544,021.34	11,544,021.34	2,654,280.80	(2,625,182.24)	0.00	0.00	11,573,119.90	11,573,119.90	0.00	
Mutual Fund	2004 MF Churchill @ Pinnacle	2.31	05/01/05	06/01/05	350,000.00	350,000.00	0.00				350,000.00	350,000.00	-	0.00
Mutual Fund	2004 MF Churchill @ Pinnacle	2.31	05/01/05	06/01/05	69,264.85	69,264.85		(69,264.84)			0.01	0.01	-	(0.00)
Mutual Fund	2004 MF Churchill @ Pinnacle	2.27	05/01/05	06/01/05	6,143,637.87	6,143,637.87		(2,313,290.85)			3,830,347.02	3,830,347.02	-	0.00
Mutual Fund	2004 MF Churchill @ Pinnacle	2.31	05/01/05	06/01/05	75,000.00	75,000.00	0.00				75,000.00	75,000.00	-	0.00
Mutual Fund	2004 MF Churchill @ Pinnacle	2.31	05/01/05	06/01/05	201,687.37	201,687.37		(116,299.27)			85,388.10	85,388.10	-	0.00
2004 MF Churchill @ Pinnacle Total					6,839,590.09	6,839,590.09	0.00	(2,498,854.96)	0.00	0.00	4,340,735.13	4,340,735.13	0.00	
Mutual Fund	2004 A/B MF Post Oak	2.65	05/01/05	06/01/05	30,606.43	30,606.43	1,638.16				32,244.59	32,244.59	-	0.00
Mutual Fund	2004 A/B MF Post Oak	2.65	05/01/05	06/01/05	2,533.08	2,533.08	1,623.42				4,156.50	4,156.50	-	0.00
Inv Agmt	2004 A/B MF Post Oak	1.87	08/05/04	07/15/06	360,205.88	360,205.88		(125,888.58)			234,317.30	234,317.30	-	0.00
Inv Agmt	2004 A/B MF Post Oak	1.87	08/05/04	07/15/06	379,307.35	379,307.35					379,307.35	379,307.35	-	0.00
Mutual Fund	2004 A/B MF Post Oak	2.65	05/01/05	06/01/05	85,007.45	85,007.45	38,702.47				123,709.92	123,709.92	-	0.00
Inv Agmt	2004 A/B MF Post Oak	1.87	08/05/04	07/15/06	8,974,117.00	8,974,117.00		(1,992,965.00)			6,981,152.00	6,981,152.00	-	0.00
Mutual Fund	2004 A/B MF Post Oak	2.65	05/01/05	06/01/05	25,534.01	25,534.01	130.55				25,664.56	25,664.56	-	0.00
2004 A/B MF Post Oak Total					9,857,311.20	9,857,311.20	42,094.60	(2,118,853.58)	0.00	0.00	7,780,552.22	7,780,552.22	0.00	
Money Market	2004 MF Village Fair	2.27	05/01/05	06/01/05			0.29				0.29	0.29	-	0.00
Inv Agmt	2004 MF Village Fair	2.53	01/04/05	09/01/06	810,419.01	810,419.01		(112,768.93)			697,650.08	697,650.08	-	0.00
Money Market	2004 MF Village Fair	2.27	05/01/05	06/01/05			5,286.90				5,286.90	5,286.90	-	0.00
Inv Agmt	2004 MF Village Fair	2.53	01/04/05	09/01/06	11,765,506.99	11,765,506.99		(2,804,432.66)			8,961,074.33	8,961,074.33	-	0.00
Money Market	2004 MF Village Fair	2.27	05/01/05	06/01/05	4,583.75	4,583.75		(3,964.21)			619.54	619.54	-	0.00
Inv Agmt	2004 MF Village Fair	2.53	01/04/05	09/01/06	617,649.04	617,649.04		(168,654.49)			448,994.55	448,994.55	-	0.00
Money Market	2004 MF Village Fair				2.34	2.34		(2.34)					-	0.00
2004 MF Village Fair Total					13,198,161.13	13,198,161.13	5,287.19	(3,089,822.63)	0.00	0.00	10,113,625.69	10,113,625.69	0.00	
Money Market	2005 MF Pecan Grove	2.27	05/01/05	06/01/05	116.60	116.60		(101.27)			15.33	15.33	-	0.00
Inv Agmt	2005 MF Pecan Grove	0.03	02/07/05	01/02/07	620,757.00	620,757.00	0.00				620,757.00	620,757.00	-	0.00
Money Market	2005 MF Pecan Grove				2,128.41	2,128.41		(2,128.41)					-	0.00
Inv Agmt	2005 MF Pecan Grove	0.03	02/07/05	01/02/07	11,331,088.00	11,331,088.00	0.00				11,331,088.00	11,331,088.00	-	0.00
Money Market	2005 MF Pecan Grove	2.27	05/01/05	06/01/05	1,461.01	1,461.01		(1,458.43)			2.58	2.58	-	(0.00)
Money Market	2005 MF Pecan Grove	2.27	05/01/05	06/01/05	101.92	101.92	32,925.86				33,027.78	33,027.78	-	0.00
Inv Agmt	2005 MF Pecan Grove	0.03	02/07/05	01/02/07	542,618.00	542,618.00		(124,711.10)			417,906.90	417,906.90	-	0.00
Money Market	2005 MF Pecan Grove	2.27	05/01/05	06/01/05	25,006.20	25,006.20	121.61				25,127.81	25,127.81	-	0.00
2005 MF Pecan Grove Total					12,523,277.14	12,523,277.14	33,047.47	(128,399.21)	0.00	0.00	12,427,925.40	12,427,925.40	0.00	
Money Market	2005 MF Prairie Oaks	2.27	05/01/05	06/01/05	127.92	127.92	32,455.03				32,582.95	32,582.95	-	0.00
Inv Agmt	2005 MF Prairie Oaks	0.03	02/02/05	01/01/07	681,000.00	681,000.00		(110,383.42)			570,616.58	570,616.58	-	0.00
Money Market	2005 MF Prairie Oaks	2.27	05/01/05	06/01/05	1,680.95	1,680.95	102,645.63				104,326.58	104,326.58	-	0.00
Inv Agmt	2005 MF Prairie Oaks	0.03	02/02/05	01/01/07	8,948,938.00	8,948,938.00		(969,984.94)			7,978,953.06	7,978,953.06	-	0.00
Money Market	2005 MF Prairie Oaks	2.27	05/01/05	06/01/05	80.95	80.95	20.74				101.69	101.69	-	0.00
Inv Agmt	2005 MF Prairie Oaks	0.03	02/02/05	01/01/07	430,930.00	430,930.00		(92,888.95)			338,041.05	338,041.05	-	0.00
Money Market	2005 MF Prairie Oaks	2.27	05/01/05	06/01/05	1,001.69	1,001.69	10.74				1,012.43	1,012.43	-	0.00
2005 MF Prairie Oaks Total					10,063,759.51	10,063,759.51	135,132.14	(1,173,257.31)	0.00	0.00	9,025,634.34	9,025,634.34	0.00	
Money Market	2005 MF Port Royal	2.27	05/01/05	06/01/05	622,350.00	622,350.00	737.24				623,087.24	623,087.24	-	0.00
Money Market	2005 MF Port Royal	2.27	05/01/05	06/01/05	9,612,648.00	9,612,648.00		(581.78)			9,612,066.22	9,612,066.22	-	0.00
Money Market	2005 MF Port Royal	2.27	05/01/05	06/01/05	490,306.00	490,306.00		(100,803.27)			389,502.73	389,502.73	-	0.00
Money Market	2005 MF Port Royal	2.27	05/01/05	06/01/05			2,884.65				2,884.65	2,884.65	-	0.00
Money Market	2005 MF Port Royal	2.27	05/01/05	06/01/05			3.56				3.56	3.56	-	0.00
2005 MF Port Royal Total					10,725,304.00	10,725,304.00	3,625.45	(101,385.05)	0.00	0.00	10,627,544.40	10,627,544.40	0.00	
Money Market	2005 MF Mission Del Rio	2.27	05/01/05	06/01/05	344,262.00	344,262.00	2,086.86				346,348.86	346,348.86	-	0.00
Money Market	2005 MF Mission Del Rio	2.27	05/01/05	06/01/05	9,258,312.00	9,258,312.00		(10,356.18)			9,247,955.82	9,247,955.82	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Money Market	2005 MF Mission Del Rio	2.27	05/01/05	06/01/05	464,841.00	464,841.00		(84,647.59)			380,193.41	380,193.41	-	0.00
Money Market	2005 MF Mission Del Rio	2.27	05/01/05	06/01/05	23,000.00	23,000.00	107.26				23,107.26	23,107.26	-	0.00
	2005 MF Mission Del Rio Total				10,090,415.00	10,090,415.00	2,194.12	(95,003.77)	0.00	0.00	9,997,605.35	9,997,605.35	0.00	
Money Market	2005 MF Atascocita	2.27	05/01/05	06/01/05			10,538,982.33				10,538,982.33	10,538,982.33	-	0.00
Money Market	2005 MF Atascocita	2.27	05/01/05	06/01/05			113,726.14				113,726.14	113,726.14	-	0.00
Money Market	2005 MF Atascocita	2.31	05/01/05	06/01/05			179,005.87				179,005.87	179,005.87	-	0.00
Money Market	2005 MF Atascocita	2.65	05/01/05	06/01/05			11,089.08				11,089.08	11,089.08	-	0.00
	2005 MF Atascocita Total				0.00	0.00	10,842,803.42	0.00	0.00	0.00	10,842,803.42	10,842,803.42	0.00	
Mutual Fund	2005 MF Tower Ridge Apts	2.03	05/01/05	06/01/05			12,528,704.00				12,528,704.00	12,528,704.00	-	0.00
Money Market	2005 MF Tower Ridge Apts	2.65	05/01/05	06/01/05			7,504.62				7,504.62	7,504.62	-	0.00
	2005 MF Tower Ridge Apts Total				0.00	0.00	12,536,208.62	0.00	0.00	0.00	12,536,208.62	12,536,208.62	0.00	
Money Market	2005 MF Alta Cullen Apts	2.31	05/01/05	06/01/05			4,578,934.58				4,578,934.58	4,578,934.58	-	0.00
Inv Agmt	2005 MF Alta Cullen Apts	5.89	04/22/05	06/01/05			7,000,000.00				7,000,000.00	7,000,000.00	-	0.00
Money Market	2005 MF Alta Cullen Apts	2.31	05/01/05	06/01/05			435,245.17				435,245.17	435,245.17	-	0.00
	2005 MF Alta Cullen Apts Total				0.00	0.00	12,014,179.75	0.00	0.00	0.00	12,014,179.75	12,014,179.75	0.00	
Total Multi-Family Investment Summary					203,218,259.25	203,218,259.25	50,982,123.93	(49,521,497.82)	(1,597,780.67)	0.00	203,081,104.69	203,081,104.69	0.00	(0.00)

Texas Department of Housing and Community Affairs
Single Family Collateralized Home Mortgage Revenue Bonds Series 1993 Investment Summary
For Period Ending May 31, 2005

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	7,530.06	7,530.06	53.37				7,583.43	7,583.43	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	326,183.16	326,183.16	1,311.59				327,494.75	327,494.75	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	86,316.47	86,316.47		(388.74)			85,927.73	85,927.73	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	39,762.05	39,762.05		(718.79)			39,043.26	39,043.26	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	177,453.98	177,453.98	257.25				177,711.23	177,711.23	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	111,012.37	111,012.37		(213.65)			110,798.72	110,798.72	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	4.82	4.82	0.00				4.82	4.82	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	5.78	5.78	0.00				5.78	5.78	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	360.92	360.92	2.63				363.55	363.55	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	3.29	3.29	0.00				3.29	3.29	-	0.00
Repo Agmt	1993 SF MRB CHMRB	3.03	05/31/05	06/01/05	8.97	8.97	0.00				8.97	8.97	-	0.00
1993 SF MRB CHMRB Total					748,641.87	748,641.87	1,624.84	(1,321.18)	0.00	0.00	748,945.53	748,945.53	0.00	0.00
Total 1993 SF MRB CHMRB Investment Summary					748,641.87	748,641.87	1,624.84	(1,321.18)	0.00	0.00	748,945.53	748,945.53	0.00	0.00

Texas Department of Housing and Community Affairs
Single Family Collateralized Home Mortgage Revenue Bonds Series 1994 and 1995 Investment Summary
For Period Ending May 31, 2005

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	1994 SF MRB CHMRB	3.03	05/31/05	06/01/05	56.83	56.83	0.15				56.98	56.98	-	0.00
Repo Agmt	1994 SF MRB CHMRB	3.03	05/31/05	06/01/05	228.49	228.49	1.76				230.25	230.25	-	0.00
GICs	1994 SF MRB CHMRB	6.42	04/26/95	11/01/26				(0.81)			(0.81)	(0.81)	-	0.00
GICs	1994 SF MRB CHMRB	6.05	06/27/96	11/01/26				(0.31)			(0.31)	(0.31)	-	0.00
Repo Agmt	1994 SF MRB CHMRB	3.03	05/31/05	06/01/05	35,474.78	35,474.78		(34,149.32)			1,325.46	1,325.46	-	0.00
Repo Agmt	1994 SF MRB CHMRB	3.03	05/31/05	06/01/05	16,349.84	16,349.84	3,005.11				19,354.95	19,354.95	-	0.00
Inv Agmt	1994 SF MRB CHMRB				7,373,565.71	7,373,565.71		(7,373,565.71)					-	0.00
Inv Agmt	1994 SF MRB CHMRB	6.05	12/16/04	11/01/26	3,605,961.57	3,605,961.57		(1,841.63)			3,604,119.94	3,604,119.94	-	0.00
	1994 SF MRB CHMRB Total				11,031,637.22	11,031,637.22	3,007.02	(7,409,557.78)	0.00	0.00	3,625,086.46	3,625,086.46	0.00	0.00
Repo Agmt	1995 A/B SF MR Rfdng Bonds	3.03	05/31/05	06/01/05	0.01	0.01	0.00				0.01	0.01	-	0.00
	1995 A/B SF MR Rfdng Bonds Total				0.01	0.01	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00
	Total 1994/1995 SF MRB CHMRB Investment Summary				11,031,637.23	11,031,637.23	3,007.02	(7,409,557.78)	0.00	0.00	3,625,086.47	3,625,086.47	0.00	0.00

**Texas Department of Housing and Community Affairs
Commercial Paper Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	Commercial Paper	3.03	05/31/05	06/01/05	143,631.35	143,631.35	33,039.41				176,670.76	176,670.76	-	0.00
GICs	Commercial Paper	2.92	04/05/05	06/08/05	4,448,000.00	4,448,000.00	0.00				4,448,000.00	4,448,000.00	-	0.00
GICs	Commercial Paper				7,000,000.00	7,000,000.00		(7,000,000.00)					-	0.00
GICs	Commercial Paper				5,000,000.00	5,000,000.00		(5,000,000.00)					-	0.00
GICs	Commercial Paper	2.80	04/07/05	06/08/05	58,552,000.00	58,552,000.00		(8,552,000.00)			50,000,000.00	50,000,000.00	-	0.00
GICs	Commercial Paper	2.80	04/07/05	06/08/05			8,552,000.00				8,552,000.00	8,552,000.00	-	0.00
Commercial Paper Total					75,143,631.35	75,143,631.35	8,585,039.41	(20,552,000.00)	0.00	0.00	63,176,670.76	63,176,670.76	0.00	0.00
Total Commercial Paper Investment Summary					75,143,631.35	75,143,631.35	8,585,039.41	(20,552,000.00)	0.00	0.00	63,176,670.76	63,176,670.76	0.00	0.00

**Texas Department of Housing and Community Affairs
General Fund Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	2,561,961.78	2,561,961.78	18,160.48				2,580,122.26	2,580,122.26	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	2,583,273.17	2,583,273.17	18,311.50				2,601,584.67	2,601,584.67	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	1,446,343.60	1,446,343.60		(333,155.19)			1,113,188.41	1,113,188.41	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	247,856.29	247,856.29	54,727.02				302,583.31	302,583.31	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	94,757.61	94,757.61	224,434.51				319,192.12	319,192.12	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	313,917.82	313,917.82	1,772.44				315,690.26	315,690.26	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	357,789.54	357,789.54	2,536.21				360,325.75	360,325.75	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	237,992.86	237,992.86	40,860.84				278,853.70	278,853.70	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	308,930.98	308,930.98	2,189.86				311,120.84	311,120.84	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	110,092.02	110,092.02	11,272.07				121,364.09	121,364.09	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	632,040.15	632,040.15	4,480.17				636,520.32	636,520.32	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05			1,198,547.18				1,198,547.18	1,198,547.18	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	481,041.05	481,041.05		(113,852.66)			367,188.39	367,188.39	-	0.00
Repo Agmt	General Fund	3.03	05/31/05	06/01/05	1,272,583.96	1,272,583.96		(1,162,804.15)			109,779.81	109,779.81	-	0.00
General Fund Total					10,648,580.83	10,648,580.83	1,577,292.28	(1,609,812.00)	0.00	0.00	10,616,061.11	10,616,061.11	0.00	0.00
Total General Fund Investment Summary					10,648,580.83	10,648,580.83	1,577,292.28	(1,609,812.00)	0.00	0.00	10,616,061.11	10,616,061.11	0.00	0.00

**Texas Department of Housing and Community Affairs
Housing Trust Fund Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in Market Value	Recognized Gain
Repo Agmt	Housing Assistance Fund	3.03	05/31/05	06/01/05	609,222.59	609,222.59		(599,084.77)			10,137.82	10,137.82	-	(0.00)
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	782,842.10	782,842.10		(779,313.37)			3,528.73	3,528.73	-	(0.00)
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	195,514.99	195,514.99		(190,626.43)			4,888.56	4,888.56	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	1,961,824.02	1,961,824.02		(384,779.88)			1,577,044.14	1,577,044.14	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	209,471.94	209,471.94	277,524.97				488,996.91	486,996.91	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	686,615.37	686,615.37		(668,362.86)			18,252.51	18,252.51	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	367,530.69	367,530.69		(38,743.06)			328,787.63	328,787.63	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05	2,038,641.09	2,038,641.09		(1,357,211.55)			681,429.54	681,429.54	-	0.00
Repo Agmt	Housing Trust Fund	3.03	05/31/05	06/01/05			3,736,510.86				3,736,510.86	3,736,510.86	-	0.00
Housing Trust Fund Total					6,851,662.79	6,851,662.79	4,014,035.83	(4,018,121.92)	0.00	0.00	6,847,576.70	6,847,576.70	0.00	(0.00)
Total Housing Trust Fund Investment Summary					6,851,662.79	6,851,662.79	4,014,035.83	(4,018,121.92)	0.00	0.00	6,847,576.70	6,847,576.70	0.00	(0.00)

**Texas Department of Housing and Community Affairs
Administration Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	Administration	3.03	05/31/05	06/01/05	137,181.80	137,181.80	947.84				138,129.64	138,129.64		0.00
	Administration Total				137,181.80	137,181.80	947.84	0.00	0.00	0.00	138,129.64	138,129.64	0.00	
	Total Administration Investment Summary				137,181.80	137,181.80	947.84	0.00	0.00	0.00	138,129.64	138,129.64	0.00	0.00

**Texas Department of Housing and Community Affairs
Compliance Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	RTC	3.03	05/31/05	06/01/05	77,076.78	77,076.78	32,677.74				109,754.52	109,754.52	-	0.00
Repo Agmt	Multi Family	3.03	05/31/05	06/01/05	440,563.42	440,563.42	153,667.40				594,230.82	594,230.82	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	3.03	05/31/05	06/01/05	494,695.32	494,695.32		(9,783.56)			484,911.76	484,911.76	-	0.00
Compliance Total					1,012,335.52	1,012,335.52	186,345.14	(9,783.56)	0.00	0.00	1,188,897.10	1,188,897.10	0.00	0.00
Total Compliance Investment Summary					1,012,335.52	1,012,335.52	186,345.14	(9,783.56)	0.00	0.00	1,188,897.10	1,188,897.10	0.00	0.00

**Texas Department of Housing and Community Affairs
Housing Initiatives Investment Summary
For Period Ending May 31, 2005**

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 02/28/05	Beginning Market Value 02/28/05	Accretions/Purchases	Amortizations/Sales	Maturities	Transfers	Ending Carrying Value 05/31/05	Ending Market Value 05/31/05	Change in In Market Value	Recognized Gain
Repo Agmt	S/F Interim Construction	3.03	05/31/05	06/01/05	442,728.17	442,728.17	3,103.81				445,831.98	445,831.98	-	0.00
Repo Agmt	S/F Interim Construction	3.03	05/31/05	06/01/05	206.97	206.97		(18.58)			188.39	188.39	-	0.00
Repo Agmt	S/F Interim Construction	3.03	05/31/05	06/01/05	35.17	35.17		(19.99)			15.18	15.18	-	0.00
Repo Agmt	Mfg. Credit Certificate	3.03	05/31/05	06/01/05	152,762.01	152,762.01		(84,788.57)			67,973.44	67,973.44	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	3.03	05/31/05	06/01/05	539,601.32	539,601.32	564,669.51				1,104,270.83	1,104,270.83	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	3.03	05/31/05	06/01/05	2,061,765.16	2,061,765.16		(651,418.90)			1,410,346.26	1,410,346.26	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	3.03	05/31/05	06/01/05	305,127.59	305,127.59	10,435.61				315,563.20	315,563.20	-	0.00
Housing Initiative Total					3,502,226.39	3,502,226.39	578,208.93	(736,246.04)	0.00	0.00	3,344,189.28	3,344,189.28	0.00	0.00
Total Housing Initiatives Investment Summary					3,502,226.39	3,502,226.39	578,208.93	(736,246.04)	0.00	0.00	3,344,189.28	3,344,189.28	0.00	0.00
Total Investment Summary					1,432,570,137.48	1,446,239,795.55	340,756,699.58	(272,346,508.42)	(23,193,642.76)	0.00	1,477,786,685.88	1,492,166,316.42	709,972.47	0.00

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
Friday, August 19, 2005 **8:30 a.m.**

AGENDA

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Shadrick Bogany, Chair
Chair

PUBLIC COMMENT

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Committee.

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

ACTION ITEMS

Item 1 Presentation, discussion and possible approval of
Minutes of Audit Committee Meeting of June 27, 2005 Shadrick Bogany

REPORT ITEMS

Item 2 State Auditor's Office - An Audit Report on the Housing Trust Fund and
HOME Investment Partnerships Programs at TDHCA David Gaines

Item 3 Internal Audit Report – Portfolio Management and Compliance
Subrecipient Monitoring – Risk Assessment David Gaines

Item 4 Status of Prior Audit Issues David Gaines

Item 5 Status of Central Database David Gaines

Item 6 Information Systems User Access Controls – Risk Assessment Results:
Status of Action Plans Addressing Inadequately Controlled Risks David Gaines

Item 7 Status of Internal/External Audits David Gaines

ADJOURN

Shadrick Bogany

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

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

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 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.

AUDIT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
William B. Travis Building, 1701 Congress Avenue, Austin, Texas 78701
June 27, 2005 8:00 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of June 27, 2005 was called to order by the Chair of the Committee Shad Bogany at 8:15 a.m. It was held at the William B. Travis Building, 1701 Congress Avenue, Austin, Texas. Roll call certified a quorum was present.

Members present:

Shad Bogany, – Chair

Patrick Gordon – Member

Norberto Salinas – Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT

The Committee 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 department staff and motions made by the Committee.

Mr.. Bogany called for public comment and no one wished to offer any comments.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of April 14, 2005

Motion made by Norberto Salinas and seconded by Patrick Gordon to approve the minutes of the Audit Committee Meeting of April 14, 2005.

Passed Unanimously

REPORT ITEMS

(2) Internal Audit Report – TDHCA Compliance with Texas Whistleblower Act

Mr. Gaines stated this is an Internal Audit Report on the Texas Whistleblower Act and the Texas Internal Auditing Act requires that this report be distributed to the Department's Governing Board plus the Governor's Office of Budget and Planning, Legislative Budget Board, and the State Auditor. The objectives of this audit are determine the Department's compliance with Government Code Chapter 554, Protection for Reporting Violations of Law, (Whistleblower Act), and this audit was undertaken as a component of the Department's Risk Management Program.

(3) Status of Prior Audit Issues

Mr. Gaines stated there are eleven findings under Prior Audit Issues. None of these findings are from last year's Federal single audit of the Section 8 Program. Management has stated that eight of these findings are fully implemented, and that the last one is planned for full implementation by the end of July.

The Department' received a letter from HUD, indicating that, based on the management's proposed actions; all findings are being cleared by HUD. There were two other findings from prior audits that are also being reported as implemented.

(4) HUD On-site Monitoring of Environmental Procedures (HOME & Emergency Shelter Grants Program)

Mr. Gaines stated this is monitoring being conducted by HUD for on-site monitoring of environmental procedures for the HOME and Emergency Shelter Grants Program. HUD conducted this review of the Department's programs in early May to verify compliance with the National Environmental Policy Act, HUD Environmental Regulations, and other related environmental laws, and executive orders.

The monitoring review shows eight findings. HUD has requested the Department submit written procedures for HUD to approve, implement the procedures, and monitor the Department's recipients to ensure compliance. The Department has drafted its response. Under this review there are two categories of finding. The first is where the state has assumed HUD's environmental responsibilities, has assumed responsibilities associated with providing technical assistance to recipients, releasing funds, maintaining specific records for the environmental reviews, and a monitoring and enforcement program.

(5) Status of Internal/External Audits

Mr. Gaines stated the Subrecipient Monitoring is not going as well as originally hoped and it will be extended until 2006.. They are requesting an additional FTE with the current budget cycle, and will limit the scope of what they consider an audit. Mr. Gaines stated they are also developing performance measures for the division to help them keep focused on what they are trying to accomplish. They have purchased a software license for automated working papers. This software should facilitate planning, performing, documenting, monitoring, and reporting audits and audit results.

The Central Database project is ongoing. The Peer Review has been completed. The fiscal year 2005 internal audit report is a summary of the division's activities for the year. This is required by the Texas Internal Auditing Act, and it will be due November 1. The remainder of the internal auditing activities is ongoing activities, such as the tracking poll, and the prior audit issues, central database.

ADJOURN

The meeting adjourned at 9:10 a.m.

Respectfully submitted,

Delores Groneck
Board Secretary

adminjun

Texas Department of Housing and Community Affairs

*State Auditor's Office –
An Audit Report on the Housing Trust Fund and
HOME Investment Partnerships Programs at TDHCA*

An Audit Report on

The Housing Trust Fund and HOME Investment Partnerships Programs at the Department of Housing and Community Affairs

July 2005

Report No. 05-047



**State
Auditor's
Office**

**John Keel, CPA
State Auditor**

The Housing Trust Fund and HOME Investment Partnerships Programs at the Department of Housing and Community Affairs

Overall Conclusion

The Department of Housing and Community Affairs (Department) cannot ensure that it allocates funds from the HOME Investment Partnerships (HOME) and Housing Trust Fund programs to the parts of the State with the highest need. Specifically, in fiscal year 2004, the regional allocation formulas that the Department used to allocate funds from these programs did not contain all statutorily required information. Additionally, the Department may not be obtaining information necessary to identify regional housing needs because it did not comply with statutory requirements regarding its coordination with regional development coordinators across the state.

The Department awarded HOME funds in accordance with federal requirements. It awarded funds from the Housing Trust Fund in accordance with state requirements, but it should work to increase the number of qualified applicants for that program. In fiscal year 2004, the Department did not award approximately \$839,000 of the \$5.4 million in funds available from the Housing Trust Fund program. (In addition to the \$5.4 million in available funds from the Housing Trust Fund, the Department also was permitted to carry forward \$5.8 million in funds from the Housing Trust Fund that it had awarded in the prior fiscal year but had not yet spent.)

According to the Department, it did not receive enough qualified applicants to be able to award more funds from the Housing Trust Fund. The General Appropriations Act (78th Legislature) established a performance measure for the Department to serve 1,686 households through the Housing Trust Fund program in fiscal year 2004. According to the Department's 2005 *State of Texas Low Income Housing Plan and Annual Report*, the Department served 325 households in fiscal year 2004 through the Housing Trust Fund program.

Background Information

The HOME program provides grants and loans to help local governments, nonprofit agencies, and public housing agencies provide safe, decent, affordable housing to extremely low-, very low-, and low-income families. HOME allocates funds through four activities: homebuyer assistance, rental housing development, owner-occupied housing assistance, and tenant-based rental assistance. In fiscal year 2004, the HOME program received approximately \$49.5 million in federal funding.

The Housing Trust Fund is a state program that awards funds for the acquisition, rehabilitation, and new construction of affordable housing. These funds are awarded to nonprofit and for-profit organizations, local governments, public housing authorities, community housing development organizations, and income-eligible individuals and families. In fiscal year 2004, \$5.4 million in funds from the Housing Trust Fund were available.



Although the Department's contract award process for the HOME and Housing Trust Fund programs is generally objective, noncompliance with certain application scoring requirements diminishes the Department's objectivity in awarding contracts.

The Department's monitoring procedures generally ensure compliance with certain HOME and Housing Trust Fund program requirements. However, the Department should make improvements to its monitoring risk assessment process for the HOME program. Specifically, the Department does not have documented procedures to determine the weights applied to the risk assessment for this program.

Summary of Management's Response

With one exception, the Department generally agrees with our findings and recommendations. In Chapter 3, we have provided an auditor's follow-up comment regarding the finding with which the Department disagrees.

Summary of Information Technology Review

Our review of information technology focused on the Department's automated contract system. The contract system is used to process HOME contracts and track grant funding. In addition, we reviewed the process by which the Department reconciles information in its contract system, the U.S. Department of Housing and Urban Development's Integrated Disbursement and Information System (IDIS, the system from which the Department draws down federal funds), and the Department's accounting system.

Automated controls in the Department's processing of HOME contracts are sufficient. However, we noted a data integrity issue within the Department's contract system that the Department should correct. In addition, while most personnel involved in the HOME contracting process have proper access to the transaction process, four users have the ability to both request and approve federal funds drawdowns from IDIS.

Summary of Objectives, Scope, and Methodology

Our objectives were to:

- ∅ For the HOME and Housing Trust Fund programs, determine whether the Department (1) has a process to deliver housing services to the neediest parts of the state, (2) objectively awards contracts, (3) effectively monitors contracts, and (4) ensures that funds are disbursed in a timely manner.
- ∅ Determine whether the Department has used appropriations for the HOME and Housing Trust Fund programs in accordance with limitations and directions

imposed by federal law, state law, or Department policy, including riders in the General Appropriations Act affecting these programs.

Our scope covered the HOME and Housing Trust Fund programs during fiscal years 2000 through 2004. We audited monitoring processes, contract awards, and compliance with appropriation riders related to fiscal years 2003-2004. Our audit of the Department's housing needs assessment and awards process covered fiscal years 2000 through 2004.

The audit methodology included conducting interviews with program staff, performing detailed test work, and analyzing agency data.

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Detailed Results

Chapter 1

The Department Cannot Ensure that It Allocates HOME and Housing Trust Fund Program Funds to the Parts of the State with the Highest Need

The Department of Housing and Community Affairs (Department) cannot ensure that it allocates HOME Investment Partnerships (HOME) and Housing Trust Fund (HTF) program funds to the parts of the state with the highest need in accordance with the statute because:

- § In fiscal year 2004, the regional allocation formulas the Department used to allocate funds from these programs did not contain all statutorily required information.
- § The Department may not be obtaining information necessary to identify regional housing needs because it did not comply with statutory requirements regarding its coordination with regional development coordinators across the state.

This noncompliance could impair the Department's ability to ensure that it consistently targets funds as required.

The Department generally complied with other state and federal requirements when awarding funds from and administering the HOME and Housing Trust Fund programs.

Chapter 1-A

The Department's Regional Allocation Formulas Did Not Contain All Statutorily Required Information to Allocate Funds for the HOME and Housing Trust Fund Programs

Regional Allocation Formulas

Section 2306.111(d) of the Texas Government Code requires the Department to allocate HOME, Housing Trust Fund, and Housing Tax Credit program funding through regional allocation formulas. The formulas are based on the need for housing assistance and the availability of housing resources in urban/exurban areas and rural areas.

While the Department used the regional allocation formulas to award funds, the formulas did not consider all information required by statute (see text box for a description of the regional allocation formulas). Specifically:

- § In fiscal year 2004, the Department's regional allocation formulas did not consider a portion of the funds disbursed through its Housing Tax Credit program. Texas Government Code, Section 2306.111(d), requires the regional allocation formulas for the HOME and Housing

Trust Fund programs to consider other available housing resources in the regions. As a result, the Department may have overallocated funding to some regions that received funds from other sources. Therefore, it is

possible that areas with the highest need for state resources did not receive the appropriate amount of funding.

- § The Department was unable to demonstrate in its needs assessment process that it considered input from statutorily required groups and/or the regional development coordinators when it prepared its *State of Texas Low Income Housing Plan and Annual Report* (see Chapter 1-B for additional issues related to regional development coordinators). Texas Government Code, Section 2306.111(d), requires the Department to “use the information contained in its annual state low income housing plan and shall use other appropriate data to develop the formula” for the HOME and Housing Trust Fund programs. Because the Department was unable to demonstrate that it considered input from the regional development coordinators in its *State of Texas Low Income Housing Plan and Annual Report*, not all of the required information was present in the regional allocation formula. Without consideration of the input and data from the regional development coordinators, the Department may not be meeting housing needs across the state. Department management indicated that the Department has attempted to obtain this data from the regions but has been unable to get an adequate response.

Recommendations

The Department should:

- § Consider other available housing resources in the regions when developing the regional allocation formulas.
- § Incorporate input from regional development coordinators in its regional allocation formulas as required by statute.

Management’s Responses

- § *Recommendation – The Department should consider other available housing resources in the regions when developing the regional allocation formulas.*

Management’s Response:

The Department began including HOME, Housing Trust Fund (HTF) and Housing Tax Credits (HTC) as sources of other available housing resources in the 2005 Regional Allocation Formula (RAF) as a way of addressing variances between the funds actually allocated and the RAF. These variances resulted primarily from set-aside and geographical area (urban/exurban and rural) requirements.

While the Department recognizes that HOME, HTF, and HTC were not used as sources of available housing resources in prior years' RAFs, their exclusion was by design and with opportunities for full public input. When the RAF was originally developed, the Department concluded it seemed illogical to include the Department's HOME, HTF, and HTC funding as available housing resources in the same formula that distributes these funds regionally. The reasoning was that if the RAF was an objective way to distribute those funds, then those funds by default would be equitably distributed to each of the regions. In effect, their inclusion in the formula would diminish the impact that considering available resources that are not controlled directly by the RAF would have on the regional funding distribution.

When the formula was originally developed in 2001, dividing the HOME, HTC, and HTF funding into separate urban/exurban and rural allocation targets (in addition to existing programmatic set-asides) within each region was not legislatively required. With the additional geographical area targeting required by SB 264 of the 78th Legislature, 26 separate allocation targets were created. As a result, the actual award allocation is more likely to vary from the RAF's targeted allocation. This is because the highest scoring applications, each with specific award requests, will not exactly align with the 13 regional and 26 intra-regional allocation targets. To address any resulting regional allocation variances, the HOME, HTC, and HTF allocation amounts were added to the "available resources" considered in the 2005 RAF.

Each year, including the years that did not include HOME, HTF and HTC as available housing resources, the formula was submitted for public comment with a clear description of the funding being considered. A summary of the RAF approved by the Department's Governing Board was published in the State Low Income Housing Plan and Annual Report (SLIHP), which was provided to the governor, lieutenant governor, speaker of the house of representatives, and members of the Department's legislative oversight committee. No comments were received regarding whether Department funds should or should not be included in the formula.

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should incorporate input from regional development coordinators in its regional allocation formulas as required by statute.*

Management Response:

The Department has incorporated input from the regional development coordinators (RDCs) in its ongoing development of the RAF. As discussed in more detail in its response to the SAO audit's Chapter 1-B findings, the legislatively unfunded RDC initiative has been addressed to the extent possible by the Department. The summary reports of the Council of Governments' (COG) representatives, who function as the RDC in their respective regions, on the Regional Advisory Committee (RAC) meetings are analyzed and reported on in great detail by the Department in the annual Report on the Regional Advisory Committee Meetings on Affordable Housing and Community Services Issues. Summary information from this report is included in the SLIHP.

The Department believes that the purpose of the RAF is to ensure that the subject funds are allocated using uniform and objective measures of need such as US Census need data and available resource need data collected directly from the various state and federal sources is consistent with statute. Public comment affects the way this information is used in the formula. For example, public comment affects the RAF by helping determine: what U.S. Census data is used to measure need; how this data is weighted in terms of relative importance; geographical area definitions; and what types of funding is used to measure available housing resources. The comment that affects the RAF is collected and considered in the process of developing the SLIHP. Sources of this comment include public hearings, written comment, round table program development meetings, and RAC meetings.

The Department conducts an enormous amount of public outreach to ensure that its programs are responsive to needs identified through this process. This outreach helps form the policy and rules that are formally established in the SLIHP. Section 2306.072(a) and § 2306.072 provide very specific instructions on how public participation should be built into the SLIHP's development process. Within each SLIHP, a detailed description of how these public involvement requirements are met is provided. A few specific examples are provided below:

- § Public hearings that involve the participation of Department staff from a variety of program areas, including HOME, HTF, and HTC were held annually in each of the 13 state service regions to gather comment that affects the development of the final SLIHP. Detailed reasoned responses to comments provided at these hearings and in writing during the public comment period on the RAF are provided in the SLIHP.*
- § "Round table" meetings were held to discuss the upcoming year's HOME and HTC activities. At these meetings a variety of topics,*

including the RAF, were discussed by a diverse group of interested parties which included councils of government and developers.

- § *RAC meetings were held in those regions where the COGs, responsible for forming the committees, formed the committees. The RAC meetings were held in advance of developing and publishing the proposed SLIHP. Observations from these meetings were considered as part of the development process for the SLIHP.*

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

Chapter 1-B

The Department Did Not Comply with Requirements Regarding Its Coordination with Regional Development Coordinators Across the State

The Department did not always comply with statutory requirements regarding its coordination with regional development coordinators (see text box for a

Regional Development Coordinators

Section 2306.079 of the Texas Government Code requires the Department to employ or contract with a regional development coordinator for each uniform state service region of this state.

Examples of the regional development coordinators' responsibilities include:

- § Assisting local communities in determining how to address affordable housing and community development needs
- § Establishing regional planning and resource-sharing partnerships
- § Facilitating the leveraging of available local, state, and federal funds

The Department has entered into memorandums of understanding with councils of government for them to provide the staff to perform these responsibilities.

description of regional development coordinators). Because of this, regional development coordinators are interpreting and carrying out requirements in different ways, and the Department may not be obtaining information necessary to identify regional housing needs. As a result, the Department may not be meeting housing needs across the state.

Examples of noncompliance include the following:

- § In fiscal year 2004, the Department did not employ or contract with a regional development coordinator for each uniform service region of the state as required by Texas Government Code, Section 2306.079. Of the 13 designated regions throughout the state, 11 had an individual identified as a regional development

coordinator. Because the Department is not fully complying with this statute, it is not providing the required services to the two regions without regional development coordinators or obtaining and considering the information needed to correctly assess the needs within each of these regions.

- § The Department's 2004 guidelines for regional development coordinators did not align with statutory requirements. For example, the Department's guidelines did not specify that the primary responsibilities of the regional development coordinators are to (1) assist local communities in determining how to address affordable housing and community

development needs; (2) establish regional planning and resource-sharing partnerships; and (3) facilitate the leveraging of available local, state, and federal funds. Each of those responsibilities is required by Texas Government Code, Section 2306.079(b). Because the Department's guidelines do not align with statutory requirements, the regional development coordinators are not providing the Department or the regions with the information needed to correctly assess needs. Further, the regional development coordinators are unaware of their statutorily required responsibilities.

- § The Department's 2004 guidelines also did not require regional development coordinators to gather and manage data related to affordable housing and community development needs from specific data sources (such as the U.S. Census Bureau, the U.S. Department of Housing and Urban Development, and the Texas State Data Center) as required by Texas Government Code, Section 2306.079(c). Additionally, the

Regional Advisory Committees

In each uniform state service region, the regional planning commission and other regional partners are required to establish an advisory committee consisting of representatives of two or more "regional partners." A regional partner must be an entity that is engaged in data-gathering projects related to the goals of the Department.

A regional partner can be a regional planning commission, political subdivision, local nonprofit organization, institution of higher education, community housing development organization, housing finance corporation, public housing authority, agricultural extension agent, local bank, or field office or service center of a U.S. Department of Agriculture Rural Development Office.

guidelines did not require regional development coordinators to identify partners for the Department to team with in order to provide housing to the needy (for example, by identifying programs that leverage local, state, and federal financial aid) as required. As a result, the Department does not have the necessary information to allocate funding to the neediest areas of the state.

In our discussions with 5 of the 11 regional development coordinators, we also were informed that regional advisory committees do not always comprise the representatives required by statute (see text box for

additional information regarding these committees). The Texas Government Code, Section 2306.079(d), requires that representatives of two or more regional partners establish a regional advisory committee. A list of attendees at these committee meetings that the Department provided indicated that these representatives were not present at meetings for 3 of the 13 regions. As a result, the regional development coordinators may not be obtaining from the regional advisory committees the information that is necessary to correctly assess housing needs.

Recommendations

The Department should:

- § Ensure that it employs or contracts with a regional development coordinator for each uniform service region of the state as required by statute.

- § Develop guidelines for the regional development coordinators that align with statutory requirements.
- § Ensure that the regional advisory committees comprise the representatives required by statute.

Management's Responses

- § *Recommendation – The Department should (1) ensure that it employs or contracts with a regional development coordinator of each uniform service region of the state as required by statute.*

Management's Response:

The Department executed Memorandums of Understanding with COGs to address the legislative requirements of the RDCs. For the first year, part time RDCs were funded through the use of bond proceeds; however, it should be noted that even with this limited funding, the ability to meet the legislative requirements, which were not funded, was severely limited.

After the first year, resources were not available for the Department to continue funding the 13 part-time RDC positions. From that point forward, due to the COGs' own staff and financial constraints, their level of participation in the RDC process was limited to facilitating the RACs. The Department staff continued to provide extensive support with mass mailings, website support, meeting development, and report compilation.

While this mandate was not funded, the Department pursued the goals of the legislation in good faith. The Department also believes its good faith efforts extend beyond what might be expected considering Section 10.90 of the Department's "Contingency Rider", General Appropriations Act, Seventy-seventh Legislature, Reg. Sess., which reads as follows:

It is the intent of the Legislature that: Appropriations made in this Act be expended only for purposes and programs specifically funded in the Act, and contingency appropriations made for legislation adopted by the Seventy-seventh Legislature be the sole source of funding for implementation of that legislation. No state agency or institution of higher education is required to reallocate or redistribute funds appropriated in this Act to provide funding for programs or legislation adopted by the Seventy-seventh Legislature for which there is not specific appropriation or contingency provision identified in this Act.

The RDC initiative is an unfunded mandate since neither Full-Time Equivalent staff (FTEs) nor specific appropriations were designated for this initiative in the Department's bill pattern through the General Appropriations Act. However, the Department will continue to work in concert with the COGs to gather regional input on how available housing resources can be most effectively used to address the affordable housing needs of each region. As funding is not available at this time, the Department is unable to "employ or contract with a regional development coordinator for each uniform state service region of this state."

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should develop guidelines for the regional development coordinators that align with statutory requirements.*

Management Response:

As described in the response to the previous recommendation, as funding is not available at this time, regional development coordinators will not be available to address the duties outlined in statute.

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should ensure that the regional advisory committees comprise the representatives required by statute.*

Management Response:

The Department does not have the authority to ensure RACs comprise the representatives required by statute. According to Government Code 2306.079(d), it is the COGs that are to form the RACs. The Code states, in part, "... the regional planning commission and other regional partners shall establish an advisory committee consisting of representatives of two or more regional partners."

For those COGs that choose to hold RACs, the Department can continue its substantial efforts to provide administrative support and planning assistance. The Department believes that representatives required by statute were present at the RAC meetings where the COGs, responsible for forming the committees, formed the committees.

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

The Department Generally Complied with Other State and Federal Requirements When Awarding Funds from and Administering the HOME Program and the Housing Trust Fund

The Department complied with nearly all other state and federal requirements when awarding funds and administering the HOME and Housing Trust Fund programs. In a sample of eight HOME applications and two Housing Trust Fund applications, we did not find any instances of noncompliance with the requirements regarding contract close-out procedures, income eligibility, lead paint hazard, environmental clearance, rent limitation, or the affirmative fair housing marketing plan.

The Department complied with a requirement in Rider 3, page VII-1, of the General Appropriations Act (78th Legislature) to submit quarterly reports to the Legislative Budget Board (see Appendix 2 for Rider 3). However, for the HOME program, the Department could not provide supporting documentation for the number of households served by income level that was specified in those reports.

Recommendations

The Department should maintain documentation to support the information provided to the Legislative Budget Board regarding the number of households served by income level.

Management's Responses

The Department does maintain documentation to support the information it provides to the Legislative Budget Board regarding the number of households served by income level. However, staff acknowledges that it made errors in compiling summary information supported by the documentation and has improved its controls over the reporting process to preclude similar errors in the future.

Responsible Employee: Director of Policy and Public Affairs

Timeline for Implementation/Implementation Date: Complete

The Department Awarded HOME Funds in Accordance with Federal Requirements; It Awarded Funds from the Housing Trust Fund in Accordance with State Requirements but Should Work to Increase the Number of Qualified Applicants for That Program

The Department awarded HOME funds in accordance with federal requirements.

According to the Department:

- § In fiscal year 2004, the Department received \$49.5 million in HOME funds from the U.S. Department of Housing and Urban Development (HUD).
- § As of March 2005, the Department had committed \$19 million (42.56 percent) of that amount. HUD requires that HOME funds be committed within 24 months.

The Department awarded funds from the Housing Trust Fund in accordance with state requirements, but it should work to increase the number of qualified applicants.

As Table 1 shows, according to Department information, the Department had a total of \$5.4 million in available funding from the Housing Trust Fund in fiscal year 2004.

Table 1

Funds Available from the Housing Trust Fund for Fiscal Year 2004	
State appropriations	\$ 3.25 million ^a
Deobligations from the prior year	1.05 million
Program income	1.10 million
Total funds available	\$ 5.40 million
^a The \$3.25 million amount did not include \$5.8 million in funds from the Housing Trust Fund that the Department had awarded in the prior fiscal year but had not yet spent. Rider 15 of the General Appropriations Act (78th Legislature) permitted the Department to carry forward funds that were awarded but not yet spent. Source: Unaudited information from the General Appropriations Act and the Department	

Of the \$5.4 million in available funds, according to the Department, it:

- § Awarded \$3 million through the Texas Bootstrap Loan Program.
- § Used approximately \$440,000 to cover administrative costs.
- § Awarded approximately \$1,120,509 in new contracts.

This left approximately \$839,000 in funds that were not awarded. According to the Department, it did not receive enough qualified applicants to be able to award more funds from the Housing Trust Fund. The General Appropriations Act established a performance measure for the Department to serve 1,686 households through the Housing Trust Fund program in fiscal year 2004. According to the Department's 2005 *State of Texas Low Income Housing Plan and Annual Report*, the Department served 325 households in fiscal year 2004 through the Housing Trust Fund program.

Recommendations

The Department should work to increase the number of qualified applicants for the Housing Trust Fund program so that it can award all available funds.

Management's Responses

Staff agrees that the Department needs to work more diligently to increase the number of qualified applicants for the Housing Trust Fund. The Department has worked closely with the nonprofit and for profit development community, local governments and housing advocates towards this goal.

However, the Department wishes to highlight that the primary limitation to the Housing Trust Fund, which significantly increases the challenge of efficiently allocating and awarding funds, is the RAF. When applied to smaller allocations (generally less than \$10,000,000) the RAF creates funding targets in some regions that are essentially so small that they are infeasible to produce affordable housing. This particularly impacts rural and small city developments that do not have additional housing subsidies and strongly deters applicants from applying to the program.

Finally, the Department would like to note that significant improvements have been made to the program over the past two years. These improvements include greater outreach to both nonprofit and for profit developers, reduced application requirements that previously limited rural and small city developments, and increased promotion of the Housing Trust Fund as an additional subsidy to Bond and Housing Tax Credit developments in hard to develop areas. The Department is continuing to evaluate the program and its subscribership as it generates the 2006 HTF Rule.

*Responsible Employees: Director of Multifamily Finance Production,
Director of Single Family Finance Production*

Timeline for Implementation/Implementation Date: November 30, 2005

The Department's HOME and Housing Trust Fund Award Process Is Objective and Its Monitoring Procedures for Those Contracts Is Adequate, but the Department Should Correct Specific Weakness in Each Area

The Department should more consistently comply with contract award requirements for the HOME and Housing Trust Fund programs

The Department has a process to ensure that it objectively awards contracts for the HOME and Housing Trust Fund programs. Every application is reviewed by at least two reviewers and an executive awards review advisory committee before the Department's governing board votes on awards. In addition, scoring criteria are objectively applied to the applications scored for both programs, and all applicants tested are evaluated using consistent scoring and application sheets.

However, the Department did not always comply with contract award requirements for the HOME and Housing Trust Fund programs. Specifically:

- § Texas Government Code, Section 2306.203, requires that the criteria used to rank Housing Trust Fund applications include the cost-effectiveness of the proposal and the leveraging of federal resources by the applicant. However, the Department did not evaluate the cost-effectiveness or leveraging of federal resources associated with all of the Housing Trust Fund rental development applications we tested. (The applications we tested totaled approximately \$700,000.) There were no scoring criteria for cost-effectiveness or leveraging on the Department's rental development scoring sheet. According to the Department, these criteria will be incorporated in the Housing Trust Fund applications for fiscal year 2005.
- § According to the Code of Federal Regulations (Title 24, Part 92.201) and the Texas Administrative Code (Title 10, Sections 53.61, 53.60 and 53.50), an application for the HOME program must be scored in consideration of (1) the Department's Consolidated Plan and (2) the extent to which individuals and families with very low incomes are served by the applicant. However, in fiscal year 2004, none of the reviews of multifamily applications related to \$2.2 million in awards requested from the HOME program included scoring criteria addressing these requirements.

The Department should correct a weakness in its monitoring risk assessment for the HOME program.

The Department's monitoring procedures ensure compliance with certain HOME and Housing Trust Fund program requirements. For example, the Department's on-site monitoring procedures, desk review monitoring

procedures, and single audit procedures all comply with federal and state requirements.

However, improvements should be made in the Department's risk assessment process for the HOME program. Specifically, the Department was unable to provide support for the weighting it applied to the risk criteria that identified the contractors to which the Department would make monitoring visits. This weighting varied according to considerations that were not documented. As a result, contractors with the highest risks may not be selected for monitoring visits.

Recommendations

The Department should:

- § Ensure that its reviews of Housing Trust Fund applications for rental housing development activity consider the cost-effectiveness of the proposal and the leveraging of federal resources by the applicant.
- § Incorporate scoring criteria into its multifamily HOME application that address (1) the Department's Consolidated Plan and (2) the extent to which individuals and families with very low incomes are served by the applicant.
- § Ensure that it is able to support the weighting applied to the monitoring risk assessment for the HOME program. The Department should also document this support.

Management's Responses

- § *Recommendation – The Department should ensure that its reviews of HTF applications for rental housing development activity consider the cost-effectiveness of the proposal and the leveraging of federal resources by the applicant.*

Management's Response:

The Department amended its review and scoring process for HTF rental development applications for the 2005 funding round, prior to this report finding to include consideration of cost effectiveness and leveraging of federal resources. While the Department recognizes that it did not use leveraging as a scoring item in the 2004 funding round, applications were evaluated for cost-effectiveness, and this criteria was used as a tie-breaker in the scoring system. Furthermore, while not scored for leveraging, many of the Department's HTF applications are leveraged with other federal resources, such as Housing Tax Credits and HOME.

Responsible Employee: Director of Multifamily Finance Production

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should incorporate scoring criteria into its multifamily HOME application that address (1) the Department’s Consolidated Plan and (2) the extent to which individuals and families with very low incomes are served by the applicant.*

Management’s Response:

The Department disagrees with the audit finding and recommendations for the reasons provided below.

First, the Department includes the Consolidated Plan and extent to which very-low income populations are served as threshold criteria in the evaluation of all HOME program applications, in accordance with Title 24, Part 92 of the Code of Federal Regulations. Because all applicants are required to meet threshold criteria, it would be redundant and ineffective to use these criteria for scoring purposes as well.

Furthermore, the Department disagrees with the Auditor’s assertions that it failed to incorporate these and other scoring criteria in accordance with Title 24, Part 92.201 of the Code of Federal Regulations, and §§53.60 & 53.61 of the Texas Administrative Code during the 2004 HOME multifamily application cycle. As previously noted the Department uses Title 24, Part 92.201 of the Code of Federal Regulations as threshold criteria in all application cycles. Additionally, the Department’s 2004 HOME rental development program was an open application cycle. While competitive application cycles are required to use evaluation factors outlined in 10 TAC §§53.60 & 61, open cycles do not rank or score applicants, but rather consider and evaluate for threshold criteria on a first come, first served basis. 10 TAC §53.60(c)(2)(B) states that open cycle applications will “be scored and ranked according to the scoring criteria identified in the NOFA.” The 2004 HOME rental development NOFA clearly outlined the process for evaluating applications in an open cycle, and these procedures were followed by the Department.

Responsible Employee: Director of Multifamily Finance Production

Timeline for Implementation/Implementation Date: Not applicable

- § *Recommendation – The Department should ensure that it is able to support the weighting applied to the monitoring risk assessment for the HOME program. The Department should also document this support.*

Management's Response:

The Department will ensure that all weights used for risk assessment to select contractors for monitoring visits will be properly documented and justified prior to running the next risk assessment. The documentation will include adequate procedures and explanations to support the reasonableness of the weights used for scoring. This analysis and justification will result in adequate support to ensure that contractors with the highest risk are selected for monitoring visits.

Responsible Employee: Director of Portfolio Management and Compliance

Timeline for Implementation/Implementation Date: August 31, 2005

Auditor's Follow-Up Comment

The Department is not evaluating its HOME multifamily rental housing development applications in accordance with the Code of Federal Regulations (Title 24, Part 92.201) and the Texas Administrative Code (Title 10, Sections 53.61, 53.60, and 53.50). The Department evaluates its HOME multifamily rental housing development applications using a score sheet to assist it in determining whether funding should be granted to developers. The fiscal year 2004 score sheet did not include scoring criteria detailing that the Department considered Rental Housing Development applications in accordance with the Department's Consolidated Plan (i.e., the Affordable Housing Needs Score), nor did it include scoring criteria evaluating the extent to which individuals and families of very low income are affected by the proposed development project.

Automated Controls over HOME Contract Processing Are Sufficient, but the Department Should Correct a Data Integrity Issue and Strengthen Access Rights

Automated controls to process, monitor, and make contract-related payments on HOME contracts are sufficient. The Department also has appropriate transaction approval mechanisms and an adequate audit trail to track contract activity. In addition, it performs periodic reconciliations to ensure that HOME funds are consistently accounted for in (1) the U.S. Department of Housing and Urban Development's Integrated Disbursement and Information System (IDIS, the system from which the Department draws down federal funds), (2) the Department's grant accounting system, and (3) the Department's accounting system.

However, we noted a data integrity issue within the Department's contract system. Specifically, information in the contract system indicates that \$2,206,742.57 was awarded to a region labeled as "Unknown"; information in this system also indicates that \$2,196,689.26 of those funds have been spent. According to the Department, the "Unknown" label originated from address information that was missing from a predecessor system (data from the predecessor system was loaded into the contract system). The review and validation of data after it is loaded or entered into the contract system is important in ensuring data integrity because automated data edits cannot detect all types of data errors.

We also identified access issues that the Department should address. The following conditions give users too much control within the HOME contracting process and increase the risk of unauthorized payments:

- § The Department's user account administrator for its contract system is also its user account administrator for IDIS. Therefore, this individual has the capability to grant access rights to create a new contract in the contract system and initiate and approve drawdowns of federal funds from IDIS. This condition is partially mitigated by (1) the fact that Department accounting personnel approve contracts in the contract system and could detect unauthorized transactions and (2) the fact that a valid voucher number from the Department's accounting system has to be established to generate a payment to a contractor, and the user account administrator does not have access to create a voucher.
- § Three individuals can both initiate and approve drawdowns of HOME funds from IDIS. One of these individuals does not work for the Department, and Department personnel were not sure who this individual was. While these users cannot enter payment request vouchers into the Department's accounting system, they should not be able to both initiate

and approve drawdowns in IDIS, particularly because two of them also have supervisory duties in the Department's accounting department.

Although we identified the access issues described above, we also noted that Department staff who create and enter contracts cannot also access IDIS to draw down federal funds or access the Department's accounting system to generate a payment to a contractor. Likewise, accounting staff cannot set up new contracts in the contract system. These two conditions help ensure that no single person can create a new contract, draw down federal funds, and issue a payment from the Department's accounting system.

Recommendations

The Department should:

- § Research invalid data in the contract system, determine the impact of invalid data on operations, and correct the invalid data. The Department also should ensure that data is thoroughly reviewed before and after it is loaded into the contract system.
- § Require separate individuals to perform the security administration function for the contract system and IDIS.
- § Ensure that no staff members have the capability to both initiate and approve drawdowns of HOME funds from IDIS.
- § Determine why an individual who is not a Department employee has the capability to initiate and approve drawdowns of HOME funds and remove this individual's access.

Management's Responses

- § *Recommendation – The Department should research invalid data in the contract system, determine the impact of invalid data on operations, and correct the invalid data. The Department should also ensure that data is thoroughly reviewed before and after it is loaded into the contract system.*

Management's Response:

The funds attributed to the "Unknown" region resulted from incorrect or blank zip codes in the address field of 22 contract activities migrated from a predecessor system and from two contracts with out of state contract administrator addresses. All address data has now been corrected.

Responsible Employee: Director of Portfolio Management and Compliance; Director of Information Systems Division

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should require separate individuals to perform the security administration function for the contract system and IDIS.*

Management's Response:

The same individual will no longer have the administrator role for both the contract system and for IDIS. The Department has sent a request to U.S. Department of Housing and Urban Development (HUD) to assign another employee to be the IDIS administrator.

Responsible Employee: Director of Portfolio Management and Compliance

Timeline for Implementation/Implementation Date: Pending processing by HUD

- § *Recommendation – The Department should ensure that no staff members have the capability to both initiate and approve draw downs of HOME funds from IDIS.*

Management's Response:

The three individuals no longer have the capability to both initiate and approve draw downs of HOME funds from IDIS. The IDIS access rights have been reviewed and adjustments have been made to ensure that proper rights are assigned to current Department staff.

Responsible Employee: Director of Portfolio Management and Compliance

Timeline for Implementation/Implementation Date: Complete

- § *Recommendation – The Department should determine why an individual who is not a Department employee has the capability to initiate and approve draw downs of HOME funds and remove this individual's access.*

Management's Response:

The IDIS access rights have been reviewed and corrections have been made to ensure that proper rights are assigned to current Department staff. The Department's IDIS Administrator will periodically review IDIS access rights to ensure that proper rights are assigned.

Responsible Employee: Director of Portfolio Management and Compliance

Timeline for Implementation/Implementation Date: Complete

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

Our objectives were to:

- § For the HOME Investment Partnerships (HOME) and Housing Trust Fund programs, determine whether the Department of Housing and Community Affairs (Department) (1) has a process to deliver housing services to the neediest parts of the state, (2) objectively awards contracts, (3) effectively monitors contracts, and (4) ensures that funds are disbursed in a timely manner.
- § Determine whether the Department has used appropriations for the HOME and Housing Trust Fund programs in accordance with limitations and directions imposed by federal law, state law, or Departmental policy, including riders in the General Appropriations Act affecting these programs.

Scope

Our scope covered the HOME and Housing Trust Fund programs during fiscal years 2000 through 2004. We audited monitoring, contract awards, and compliance with appropriation riders related to fiscal years 2003–2004. Our audit of the Department’s housing needs assessment and awards process covered fiscal years 2000 through 2004.

Methodology

Our methodology included:

- § Conducting interviews with program staff
- § Performing detailed test work
- § Analyzing data

Procedures and tests conducted included the following:

- § Comparison of agency procedures to statutory requirements
- § Tests of contractor expenditures

- š Tests of contractor monitoring files
- š Tests of agency awards process
- š Review of reconciliation process between various information technology systems
- š Review of information systems security access controls

Criteria used included the following:

- š Texas Government Code, Chapter 2306
- š Code of Federal Regulations, Title 24, Part 92 – Home Investment Partnerships Program
- š Uniform Grant Management Standards
- š General Appropriations Act (78th Legislature)

Other Information

We conducted fieldwork from March 2005 through June 2005. This audit was conducted in accordance with generally accepted government auditing standards. The following members of the State Auditor's staff performed this audit:

- š Courtney Ambres-Wade, CGAP (Project Manager)
- š Cesar Saldivar (Assistant Project Manager)
- š Vicente Arambula, CPA, MBA
- š Manijeh Azmoodeh
- š Lisa Collier, CPA
- š Michael Dean, CGAP, CIA, MPA
- š Dean Duan, CISA
- š Verma Elliott, MBA
- š Selvadas Govind, CIA, MBA
- š Matthew Hanson
- š Amadou Ngaide, MBA
- š Mark Schnorrenberg, MBA

- š Luis Solis`
- š Jim Yerich`
- š Scott Killingsworth, CIA (Quality Control Reviewer)
- š Nicole Guerrero, MBA (Audit Manager)`

General Appropriations Act, Rider 3 – Requirement to Report to the Legislative Budget Board

Rider 3, page VII-11, of the General Appropriations Act (78th Legislature) requires the following:

The housing finance division shall adopt an annual goal to apply no less than \$30,000,000 of the division’s total housing funds toward housing assistance for individuals and families in which the annual family income does not exceed the following amounts based on the number of persons in the family:

Number of Persons in the Family	Maximum Annual Income
1 Person	\$13,000
2 Persons	\$16,000
3 Persons	\$17,000
4 Persons	\$19,000
5 Persons	\$21,000

For each additional person add \$1,500. No less than 20 percent of the division’s total housing funds shall be spent for individuals and families earning between 31 percent and 60 percent of median family income. In those counties where the median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide a quarterly report to the Legislative Budget Board documenting its expenditures in each income category.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Department of Housing and Community Affairs

Members of the Governing Board

Ms. Elizabeth “Beth” Anderson, Chair

Mr. C. Kent Conine, Vice Chair

Mr. Shadrick Bogany

Mr. Vidal Gonzalez

Mr. Patrick R. Gordon

Mr. Norberto Salinas

Ms. Edwina Carrington, Executive Director



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Texas Department of Housing and Community Affairs

Internal Audit Report

*Portfolio Management and Compliance
Subrecipient Monitoring Risk Assessment*



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report -		Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment		Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
Background	<p>The Portfolio Management and Compliance Division (PMC) has developed a risk assessment methodology designed to identify high risk contracts, which is used to schedule field monitoring visits. The purpose of field monitoring visits is to focus monitoring efforts on high risk contracts above and beyond the monitoring efforts considered necessary on lower risk contracts.</p> <p>While other conditions may result in a field monitoring visit such as the need for a review based on on-going contractor performance, field visits are typically associated with high risk contracts.</p> <p>PMC is responsible for monitoring HOME Investment Partnership (HOME) and Housing Trust Fund (HTF) contracts. While other divisions and sections may use the risk assessment methodology developed by PMC, review of those divisions' and sections' use of the methodology was not considered within the scope of this review.</p>		
Audit Results and Conclusions	<p>PMC has developed a risk assessment methodology designed to provide reasonable assurance that high risk HOME contracts are identified for field visit monitoring purposes. While the methodology may suffice for identifying high risk contracts for field monitoring visits purposes, PMC has not included the population of Housing Trust Fund Multifamily Development contracts, which are subject to monitoring by PMC, in the risk assessment process. We also noted other opportunities to improve the risk assessment process as noted below.</p>		
Audit Findings and Recommendations – The following findings and recommendations offer opportunities for the Department to improve its risk assessment methodology and related processes.			
<p>Complete Population The population of contracts considered in PMC's risk assessment process does not include Housing Trust Fund Multifamily Development contracts, which are subject to monitoring by PMC.</p> <p>Not considering a complete population of contracts in the risk assessment process results in contracts not being risk ranked. In the absence of risk ranking contracts, lower risk contracts may be over monitored while higher risk contracts may be under monitored.</p> <p>Recommendation We recommend management include Housing Trust Fund contracts in its risk assessment process. To the extent management believes it is appropriate to exclude these contracts from its risk assessment process, we recommend that the justification for exclusion be documented and that it clearly delineates its processes for selecting these contracts for monitoring reviews.</p> <p>Management Response <i>Housing Trust Fund (HTF) contracts administered by PMC will be included in the population scored in the next risk assessment. The population for assessing risk will be generated from contracts entered and tracked in the TDHCA Central Database (Database). Since these HTF contracts will now be entered in the Database, they will automatically be included in future risk assessments.</i></p> <p>Target Date for Completion 9/30/2005</p>			



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report - Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment	Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
	Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	

Scheduling Field Monitoring Visits

Strategies and related procedures for selecting contracts do not always result in high risk contracts being selected for field monitoring visits. Additionally, the reasons for some field visits are not adequately documented.

Field visits are scheduled based on the results of a risk assessment process designed to identify high risk contracts. However, higher risk contracts may not be selected. The risk assessment results are risk ranked and scheduled by region. Accordingly, a lower risk contract in one region may be selected for a field monitoring visit before a higher risk contract in another region.

Field monitoring visits are also conducted for reasons other than monitoring contracts identified as high risk. The Department has a strategy to conduct monitoring visits on contracts based on their close geographical proximity to a high risk contract. There are also other reasons a monitoring field visit may be conducted; however, instances were noted where those reasons were not adequately documented. While the reasons for the field monitoring visits are posted in a database maintained by PMC, they are not necessarily adequate to communicate the underlying circumstance prompting the monitoring visit. For example:

- Instances were noted where lower risk contracts were selected from the risk assessment ranking list while higher risk ranked contracts were not. While selecting lower risk ranked contracts before higher risk ranked contracts may be appropriate on occasion, the reasons or justifications for doing so were not consistently documented.
- A reason for a visit may be a complaint; however, the nature of the complaint is not documented. This condition was also noted for staff referrals. The reason for the visit is a staff referral; however, the justification for the referrals could not be determined based on supporting documentation.
- Instances were noted where the basis for a field monitoring visit could not be determined because the reason stated in the field monitoring database was either incomplete or incorrect.

Expending field monitoring resources on non-high risk contracts may result in inefficient and ineffective use of resources whereby high risk contracts are under monitored and low risk contracts are over monitored.

Inadequate documentation or information supporting the reason a field visit is scheduled precludes an effective assessment of the related risks and potential issues necessary for an effective monitoring review.

Incomplete or incorrect data in the field monitoring database may result in low quality management information and performance reports used for decision making purposes.

Recommendation

We recommend limited field monitoring resources be allocated to the Department's highest risk contracts and that management reconsider whether scheduling monitoring visits by region and proximity are appropriate strategies for the effective use of Department resources. If the Department considers these strategies as appropriate, we recommend that PMC limit expending field monitoring resources on non-high risk contracts to a predetermined percentage of available monitoring resources. If the percentage must be exceeded, we recommend PMC thoroughly document the reasons.

We also recommend that reasons for scheduling a field monitoring visit be thoroughly documented to enable the monitor to effectively plan and conduct the monitoring visit. Finally, we recommend that data quality controls over the field monitoring database be established to ensure complete and accurate data for management decision making purposes and performance reporting.



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report - Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment	Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
	Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
<p>Management Response</p> <p><i>PMC will continue to schedule contracts for monitoring visits primarily based on assessment of highest risk. Any deviation from this process will be thoroughly documented and justified. In the past, exceptions to the risk selection process have been due to valid issues, such as complaints, executive or legislative requests, problems identified through the processing of set-ups and draws, limited travel resources, or referrals from staff. Justification for scheduling a field visit will be more fully documented and included with the monitoring working papers.</i></p> <p><i>Monitoring reports will be reviewed and analyzed monthly by management to ensure that complete and accurate data is maintained in the monitoring database.</i></p> <p>Target Date for Completion 9/30/2005</p>		
<p>Reasonableness of Risk Factors</p> <p>Management continues to search for the right combination of risk factors to successfully identify high risk contracts. Ongoing additions, deletions and adjustments to the risk factors and their weights have occurred for the last five risk assessments over the prior two years.</p> <p>While it is reasonable to change or adjust risk factors and their assigned weights in order to better identify high risk contracts, management has not maintained documentation supporting progression of the methodology, the changes made, or their evaluations of the effect of the changes, <i>i.e., Are the changes resulting in better identifications of high risk contracts?</i></p> <p>The risk factors used in the two most recent risk assessments, June 2004 and February 2005, seem reasonable; however, the factors related more to inherent risks of a contract such as the activity and setaside types and the number of contracts administered by the subrecipient. Performance related factors such as the results of Federal single audits, a subrecipient's prior history of non-compliance, and prior non-performance issues were not considered. It was also noted that the time elapsed since the last monitoring visit was not formally considered across all contracts.</p> <p>Failure to document and track changes to risk factors and weights precludes management from assessing the outcome or effect on the risk assessment results and may hamper management from effectively identifying high risk contractors. Documentation of changes provides management with a history of what did not produce the desired results as well as bases for improvement. Performance related risk assessment factors will help prioritize the risk of contracts associated with the past performance of the subrecipients.</p> <p>Recommendation</p> <p>We recommend management continue to search for the right combination of risk factors and weights to effectively identify high risk contracts. Management should document and track all changes to the factors and weights, the reasons for the changes, and the effects of those changes on the risk assessment results. Management should assess the outcomes of those changes to better determine the effectiveness of the risk assessment process.</p> <p>The results of actual field monitoring visits should be considered in assessing the effectiveness of the risk assessment results and serve as a basis for adjusting the risk factors and weights.</p>		



Internal Audit Division
Fiscal Year 2005

<p>An Internal Audit Report -</p> <p>Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment</p>	<p>Date: August 5, 2005</p>	<p>Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez</p>
<p>Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance</p>		
<p>We also recommend that management consider performance-related risk factors and the time lapsed since the last monitoring or other review, considering information such as:</p> <ul style="list-style-type: none"> • whether the subrecipient has had recent monitoring reviews and the results of those reviews, • whether the subrecipient is required to have a Federal Single Audit, whether the Single Audit is submitted timely to the Department as required, the extent the Single Audit considered programs of the Department, and the results of those audits, and • the subrecipient’s responsiveness and timeliness in addressing prior audit and monitoring findings and corrective action plans. <p>Management Response <i>PMC will document and track all scores and weights, including the resulting effects. Any changes made on consecutive risk assessments will also be analyzed, tracked and justified. An analysis will be conducted to determine the reasonableness and effectiveness of the changes. Analysis will include comparison of lists with prior or new factors and also tracking results of monitoring visits (i.e., number of findings, results, current status).</i></p> <p><i>The results of actual monitoring visits will be compared to the prior risk analysis to determine the effectiveness of risk factors and weights that were included. Performance-related risk factors along with inherent-related risk factors will be considered for effectiveness, such as time since last visit, prior monitoring results, status of prior monitoring visit, and Single Audit results.</i></p> <p>Target Date for Completion 9/30/2005</p>		
<p>Risk Assessment Internal Controls While management has developed a risk assessment process designed to focus field monitoring resources on high risk contracts, a formal system of internal control over the process has not been established. Notably absent are formal standard operating policies and procedures and a current supporting process flowchart.</p> <p>The basis of PMC’s internal control system consists of a Risk Assessment Procedures Manual. However, the Manual:</p> <ul style="list-style-type: none"> • does not establish a policy regarding the use of risk assessment, • is not supported by standard operating policies and procedures, • does not enumerate responsibilities associated with the risk assessment process, • does not include detailed procedures to provide sufficient guidance as to how to carry out activities in accordance with established policy, specify persons responsible for performing tasks, when the tasks need to be performed, required coordination with other section(s), program(s) or division(s), and specific actions required by various employees, • is out of date, and • does not have any indication of management’s approval. <p>Additionally, procedures are not in place to ensure that the Department’s employees comply with the related procedures. According to TDHCA Standard Operating Procedures 1100.09, <i>Internal Controls</i>, “Management at all levels of the Department shall develop, document, maintain and enforce internal control policies and procedures.” The SOP goes on to say that the Department’s formal internal control system consists of a number of elements, including (1) Standard Operating Procedures that establish policy and lines of responsibility, set a framework for operations and authorized procedures, and describes how more important aspects of the Department’s work will be accomplished and, (2) Process Flowcharts that illustrate the processes and activities necessary to accomplish the Department’s objectives.</p>		



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report - Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment	Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
	Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
<p>According to TDHCA Standard Operating Procedure, 1100.01, <i>Standard Operating Procedure (SOP) System</i>, Division Directors should develop and publish Level II SOPs, as appropriate, covering subjects that are unique to their operations and work with Functional Area Managers to develop Level II SOPs for the functional area operations.</p>		
<p>The lack of a formal system of internal control may preclude efficient and effective operations. Results of a poor risk assessment or of a risk assessment process not operating as intended by management could adversely affect management decisions relating to the application of significant monitoring resources and the effectiveness of the Department subrecipient monitoring program. Additionally, the lack of a sufficient system of internal control may result in an unacceptable risk assessment or the inability to produce a timely risk assessment in the event of staff turnover, illness or emergency.</p>		
<p>Issues noted during our review attributable to the lack of adequate control included:</p>		
<ul style="list-style-type: none"> • a lack of a definition for a high risk contract or a clear delineation between what is considered high, medium, and low risk contracts, • instances of an incomplete population of contracts considered within a risk assessment, • field visits conducted without being identified as high risk contracts and without other justification, • inaccuracies in supporting management information systems relating to reasons for a visit, • changes in risk factors from one assessment to the next without adequate explanations or documentation of analysis to support the reasonableness of the changes, and • field visit planning schedules consisting of little more than hand written notations indicating contracts to be monitored without other relevant information such as monitoring goals to be achieved, planned resources (employees to be assigned or responsible for conducting the field visits), and the time frame and time estimates or budgets to conduct the field visits. 		
<p>Recommendation</p>		
<p>We recommend a formal system of internal control over the risk assessment process. We recommend that management develop, maintain and enforce, at a minimum, related standard operating procedures and process flow charts required by the Department-wide SOP 1100.09, <i>Internal Control</i>. The standard operating procedures should be developed in accordance with the Department's standards prescribed by SOP 1100.01, <i>Standard Operating Procedure (SOP) System</i>.</p>		
<p>Procedures should be in sufficient detail to address the types of issues noted above and provide for assurance that the Department's employees comply with them.</p>		
<p>We also recommend that management develop a formal policy regarding the use of a risk assessment process as a basis for determining the extent of monitoring necessary on varying levels of risks associated with a contract. We recommend management consider strategies on how to use the risk assessment results not only for the purposes of conducting field monitoring visits of subrecipients with high risk contracts but also for the purposes of determining the nature and extent of monitoring procedures appropriate for medium and low risk contracts.</p>		



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report -	Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment	Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
<p>Management Response <i>Standard Operating Procedures (SOPs) for the risk assessment process will be updated, strengthened and formalized. The SOPs will be detailed enough to provide sufficient guidance on how to carry out activities and steps in accordance with established policy. The SOPs will require support documentation and justification to support the factors and weights. The SOPs will also include justification for contracts selected for monitoring.</i></p> <p><i>Procedures will include responsible staff and deadlines. Management review and approval will be required before implementation.</i></p> <p>Target Date for Completion 9/30/2005</p>		

- Continued -



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report -		Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment		Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
Objectives	The objectives of this audit were to determine whether the Portfolio Management and Compliance Division's Subrecipient Monitoring - Risk Assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes.		
Scope	<p>The scope of this audit included consideration of:</p> <ul style="list-style-type: none"> • the June 2004 and February 2005 risk assessment runs and supporting documentation, • the risk factors used, • the contract inventory maintained in the Department's central database to determine completeness of the population considered in the risk assessments, • field visits actually conducted to determine if the results of the risk assessment were being used to schedule field visits, • the Department's Standard Operating Procedure 1100.09, <i>Internal Controls</i>, and Standard Operating Procedure, 1100.01, <i>Standard Operating Procedure (SOP) System</i>, and • interviews with the Department's Director, Acting Manager and Risk Assessment Planner/Team Leader and selected staff of the Portfolio Management Compliance Division. 		
Methodology	<p>The methodology on this project consisted of:</p> <ul style="list-style-type: none"> • gaining an understanding of the risk assessment process, (the understanding was gained by reviewing the Division's standard operating procedures, risk assessment runs, and the information systems used, and by conducting interviews with staff), • comparing the risk assessment processes with the Risk Assessment Procedures Manual and other related materials, • comparing the Department's Risk Procedures Manual and related materials with actual risk assessments performed and the related Standard Operating Procedure 1100.09, <i>Internal Controls</i>, and Standard Operating Procedure, 1100.01, <i>Standard Operating Procedure (SOP) System</i>, • testing samples of high risk contracts identified in the June 2004 and February 2005 risk assessment runs with field visit files actually conducted, and • comparing and contrasting PMC's risk assessment procedures with (1) Office of Management and Budget (OMB) Circular A-133, § .525, <i>Criteria for Federal program risk</i>, (2) OMB Circular A-133, Appendix B, Compliance Supplement, Part 3 – Compliance Requirements, § M, <i>Subrecipient Monitoring</i>, (3) OMB Circular A-133, Appendix B, Compliance Supplement, Part 6 – Internal Control, § M, <i>Subrecipient Monitoring</i>, and (4) the Governor's Office of Budget and Planning Uniform Grant Management Standards, Part III, Subpart B, <i>Pre-award Requirements</i>. <p>The audit scope did not include assessing the effectiveness of the risk assessment process in identifying high risk contracts, <i>i.e.</i>, <i>Did the risk assessments actually identify high risk contracts?</i></p>		



Internal Audit Division
Fiscal Year 2005

An Internal Audit Report -		Date: August 5, 2005	Auditor(s): Kelly Crawford, CIA, CCSA and Lorrie Lopez
Portfolio Management and Compliance Subrecipient Monitoring – Risk Assessment		Responsible Staff: Director, Acting Manager, and Risk Assessment Planner/Team Leader of Portfolio Management Compliance	
Report Distribution	<p>Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the following parties:</p> <ul style="list-style-type: none"> • the Department's Governing Board • the Governor's Office of Budget and Planning • the Legislative Budget Board • the Office of the State Auditor 		
Other	<p>Audit fieldwork considered the risks assessments prepared in June 2004 and February 2005. The audit was made in accordance with generally accepted government auditing standards and the <i>International Standards for the Professional Practice of Internal Auditing</i>.</p> <p>This audit related to the Department's Portfolio Management and Compliance Division's performance relating to Subrecipient Monitoring – Risk Assessment. Related areas not included within the scope of this audit that may warrant further consideration in the future include other monitoring goals, objectives and strategies of PMC or risk assessment procedures and monitoring functions conducted by other divisions within the Department. The Community Affairs Division and the Office of Colonia Initiatives Divisions are responsible for monitoring their programs. The Multifamily Finance Division is responsible for monitoring Capacity Building and Predevelopment Loan Contracts.</p>		

For additional information of copies of report, please contact David Gaines, Internal Audit Director
512.475.3813 david.gaines@tdhca.state.tx.us

David Gaines, CPA
Director of Internal Audit

8/5/05
Date

Texas Department of Housing and Community Affairs

Status of Prior Audit Issues

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target
			Codes*	Date	Date
359	02/28/05	Compliance with Requirements & IC over Compliance - A-133	Px	02/28/05	04/30/05
	KPMG	Statewide Federal Single Audit for FYE August 31, 2004 (SAO contract with KPMG)	Dx	04/28/05	
			Px	06/16/05	07/29/05
			Ix	07/28/05	07/05/05

Division: Community Affairs - Section 8

Issue: Reference No. 05-22
Allowable Costs/Cost Principles
Type of finding – Material Weakness Control

Separation of Duties Issue:

Regional coordinators process contract source documents, enter transactions into Sec 8 system, & establish vendor payment data in accounting system. Additionally, there is no transaction approval to ensure that all transactions entered into the system undergo review and approval before they are updated in the system & there is not a sufficient review of transactions entering the Section 8 system to compensate for this condition.

The Department should implement a review and approval process to ensure that all transactions entered into the Section 8 system are verified by someone other than the individual who entered the transaction into the system, incorporate an automated approval mechanism into the Section 8 system, if feasible, to ensure that transactions cannot be passed on for payment without third-party approval, and implement separation of duties so that personnel who are responsible for entering contracts into the Section 8 system cannot also establish vendors in the Department's accounting system.

Software Change Management Issue:

Personnel, who maintain the Section 8 system can modify system data, make changes to Section 8 programs & have direct access to the tool used to move updated programs into the production environment without an additional program review and approval process.

Additionally, the network administrator has access to move programs into the production environment which may not be needed. Furthermore, under a memorandum of understandability to share computing resources, personnel from another agency (ORCA) have access to modify Section 8 program. Finally, passwords to move programs into production has not recently been changed.

The Department should (1) ensure that a third party, who does not have direct programming responsibilities, moves programs into the production environment or (2) implement a third-party process to monitor the movement of programs into the production environment and direct program and data changes made by developers. The Department should ensure that only those personnel with a direct need to move programs into the production environment have access to perform this task and should change the password for moving programs into the production environment at least every 90 days.

Status: Separation of Duties:

07/28/05 - The Department instituted the position of Financial Facilitator to insure the required separation of duties (implemented 07/05/2005). In addition, the Regional Coordinator's access to payment information has been restricted to read only.

06/16/05 - The Department reestablished the position of Financial Facilitator to ensure separation of duties. Section 8 management is documenting the procedures performed by the Financial Facilitator to confirm the Financial Facilitator is trained to assume duties previously performed by the Regional Coordinator and to ensure that other Section 8 staff are trained with respect to how their job functions interact with the Financial Facilitator. In addition, the Regional Coordinator's access to payment information has been restricted to a 'read only' status.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>

04/28/05 - Action delayed due to limited staffing resources. Staff intends to work with the auditors to arrive at a satisfactory solution.

02/28/05 - The Department will revise the process for HAP contract preparation and setting up the HAP contract for payment in the Genesis system by dividing these duties among Section 8 staff. A Regional Coordinator will be responsible for preparing the HAP contract before forwarding the HAP contract to the Section 8 Coordinator for quality control review. The Section 8 Coordinator approves a HAP contract then forwards it to a Regional Coordinator not involved in preparing that contract who will be responsible for entering the HAP contract for payment in the Genesis system.

Internal Audit Comments - While implementation of management's corrective action plan will improve controls leading up to draft entry in the Section 8 system, it does not address the risk that inaccurate or improper data can be accidentally or intentionally entered in the system and not be detected in a timely manner during the normal course of business.

Software Change Management Issue:

06/14/05 - The standard operating procedure describing the software development manager's responsibilities for directing Section 8 software application modifications was implemented on 5/2/2005.

04/27/05 - The standard operating procedure describing the software development manager's responsibilities for directing program and data changes made by two programmers is near completion. The SOP will be implemented by the scheduled due date of 4/30/2005.

02/28/05 - The Department will implement a third-party process to monitor the movement of Section 8 programs into the production environment. This process will be formalized in a standard operating procedure, which will include a written description of the software development manager's responsibilities for directing program and data changes made by the two programmers.

The Department will also implement a process for changing the password for moving programs into the production environment at least every 90 days.

370	<u>05/27/05</u> HUD	<u>On-site Monitoring of Environmental Procedures: HOME and ESG Programs</u> To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05
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Division: HOME and ESGP

Issue: Finding A-1: Monitoring Program, 24 CFR 58.18(a)(1)

The Department, in assuming HUD's environmental responsibilities, does not have a program to monitor its grant recipients.

Develop and submit to HUD for approval written procedures for the creation of an environmental monitoring and enforcement program for post-review actions on environmental reviews and compliance with any environmental conditions included in the award. Upon HUD's approval, implement the written procedures.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department is in the process of reinstating the environmental review component as part of the on-site monitoring review process. The Department has revised and submitted a copy of the Environmental Clearance Monitoring and Enforcement Program to HUD for review and approval. Full implementation pending approval of HUD.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
371	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	

Division: HOME and ESGP

Issue: Finding A-2: Project Descriptions and Classifications, 24 CFR 58.38(A)(1); 58.34, 58.35, and 58.36

Environmental Review Records (ERRs) of recipient files found inadequate project descriptions and that projects are being misclassified, which may preclude the proper level of environmental review.

Submit to HUD the written procedures developed to ensure a complete, detailed project description is provided by each Responsible Entity and an accurate classification is provided for each project in the ERR. Upon HUD's approval, ensure that all state recipients implement the written procedures and document recipient compliance through the monitoring program.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department will use revised HUD environmental clearance forms related to each activity funded under the HOME Program. Sample program descriptions, including size, function, existing and future need, and the project location for all HOME recipients has been developed. The revised environmental forms, which will be included in the HOME Procedures Manual during training, and Environmental Clearance Review Procedures will become part of the HOME Library accessible on the Department's website. Recipients will receive an announcement that these documents are available once approved by HUD. Full implementation pending approval of HUD.

372	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	
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Division: HOME and ESGP

Issue: Finding A-3: Support Documentation, 24 CFR 58.5 and 58.6

Based on the lack of documentation in the files reviewed, state recipients have failed to fully comply with the requirements of 24 CFR 58.5 and 24 CFR 58.6 (Related Federal Laws and Authorities). Examples of inadequate documentation related to historic preservation requirements and excessive noise and attenuation measures.

Submit to HUD written procedures to ensure compliance with requirements and the procedures and corrective actions for the Department's recipients that will be implemented in order to preclude repetition of this finding. Upon HUD approval, the Department's subrecipients should implement the written procedures and document subrecipient compliance through its monitoring program.

Status: 08/02/03 - A written response was provided to HUD on 6/30/2005. The Department's revised procedures and program training sessions include instructions on how to evaluate and document excessive noise and attenuation measures for both railroad and highway noise. The Monitoring and Enforcement Program will help to ensure that projects determined to be noise sensitive are properly documented. Trainings conducted by the Department include comprehensive guidance and examples on completing appropriate noise compliance documentation. Full implementation pending approval of HUD.

Ref. #	Report Date Auditors	Report Name Audit Scope	Status		Target Date
			Codes*	Date	
373	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	

Division: HOME and ESGP

Issue: Finding B-1: Project Descriptions, Environmental Review Records, and Classifications, 24 CFR 58.38(A)(1); 58.34, 58.35, & 58.38

Environmental Review Records (ERRs) were not available when the Department acted as the Responsible Entity. Specific project descriptions were lacking for the files considered. The Request for Release of Funds (RROF) was completed and submitted for a project consisting of homebuyer assistance; however, an environmental review was instead conducted for a different project of new home construction. Sales contracts appeared to include a blend of new construction and existing homes. Project classifications were incomplete. Determinations of exemption were provided under 24 CFR 58.34(a)12, but the supporting determination for the initial classification of categorical exclusion under 24 CFR 58.35(a) was omitted.

The Department must submit to HUD written procedures that will ensure a complete, detailed project description will be provided by the Department when it is acting as the Responsible Entity (RE). The Department must also provide an accurate classification for each project in the ERRs. The Department must ensure that the procedures approved by HUD are implemented.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department has revised environmental forms related to each activity funded under the HOME program to include a sample of a program description for a Unit of Local Government (UGLG) and a Non-Unit of Local Government (Non-UGLG). The sample contains text that includes size, function, existing and future need, and the project location indicated on a map. The Department will ensure that Federal environmental rules and regulations are followed correctly and implemented by its HOME Recipients. Full implementation pending approval of HUD.

374	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	
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Division: HOME and ESGP

Issue: Finding B-2: Support Documentation, 24 CFR 58.5 & 58.6

The Department has failed to document full compliance with the requirements of 24 CFR 58.5 and 24 CFR 58.6. Examples of inadequate documentation related to historic requirements and floodplan documentation not being observed.

The Department must submit to HUD written procedures developed to preclude repetition of this finding and ensure proper documentation in compliance 24 CFR 58.5 and 58.6 regulations. The Department must then implement the written procedures approved by HUD.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department's revised Environmental Clearance Review Procedures will ensure that consultation with the State Historic Preservation Officer (SHPO) pursuant to 24 CFR 58.5 is documented. According to the requirements of Executive Order 11988 the Department does determine the impact projects may have on floodplains. The revised Environmental Clearance Review Procedures will document compliance with the requirements and ensure 24 CFR 58.6 is prepared and completed according to Federal rules. Full implementation pending approval of HUD.

Ref. #	<u>Report Date</u>	<u>Report Name</u>	<u>Status</u>		<u>Target</u>
	<u>Auditors</u>	<u>Audit Scope</u>	<u>Codes*</u>	<u>Date</u>	<u>Date</u>
375	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	

Division: HOME and ESGP

Issue: Finding B-3: Environmental Assessment, 24 CFR 58.36 and NEPA

In preparing Environmental Assessments the Department failed to fully comply with both National Environmental Policy Act (NEPA) and HUD regulatory requirements to evaluate alternatives to the project and recommend modifications to minimize adverse effects of a project.

The Department must develop written procedures for approval by HUD that will prevent recurrence of this finding.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department is revising its Environmental Clearance Review Procedures to ensure the Environmental Assessment process is implemented and will include the regulatory requirement to evaluate alternatives to the project and recommend modification to minimize adverse effects of a project through an internal process in which appropriate individuals will be asked to address this requirement. The environmental forms and Environmental Assessment form have been revised and will be accessible on the Department's website. An announcement will be made that these documents are available. Full implementation pending approval of HUD.

376	05/27/05 HUD	On-site Monitoring of Environmental Procedures: HOME and ESG Programs To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.	Px	08/02/05	
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Division: HOME and ESGP

Issue: Finding B-4: Environmental Certification, 24 CFR 58.22 and 58.43(b)

It was observed that an occasional loan closing statement for a homebuyer assistance project preceded the environmental certification.

The Department must submit to HUD the written procedures developed to ensure that timely project certification is completed in compliance with 24 CFR 58 regulations and prior to obligations or expenditures of any project funds, regardless of the source. Upon HUD approval, the Department must implement the written procedures.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department's Environmental Clearance Review Procedures (for Administrators) specifically address the issue of Recipients closing loans prior to environmental clearance. An environmental clearance field has been developed for the program monitoring system to help ensure the clearance has been performed. Full implementation pending approval of HUD.

<i>Ref. #</i>	<i>Report Date</i>		<i>Report Name</i> <i>Audit Scope</i>	<i>Status</i>		<i>Target Date</i>
	<i>Auditors</i>			<i>Codes*</i>	<i>Date</i>	
377	05/27/05		On-site Monitoring of Environmental Procedures: HOME and ESG Programs	Px	08/02/05	
	HUD		To verify compliance with the requirements of the National Environmental Policy Act (NEPA), HUD environmental regulations at 24 CFR Part 58, and other related federal environmental laws and executive orders.			

Division: HOME and ESGP

Issue: Finding B-5: Tiering Requirements, 24 CFR 58.15

Although the Department utilizes a site-specific checklist for several programs (rehabilitation, homeowner assistance, and tenant based rental assistance), it is not clear if there is any intention to utilize a tiered approach. The project files lacked a basic strategy or board plan as required by 24 CFR 58.15 when using a tiered approach.

The Department must develop written procedures that have a basic strategy that describes the program's objectives, limitations, and requirements. This strategy should also establish the policy, standard or process to be followed in the site-specific review. The local, site-specific documentation is subsequently required to complete the review prior to the obligation of funds. The procedures approved by HUD must be prepared to prevent recurrence of this finding.

Status: 08/02/05 - A written response was provided to HUD on 6/30/2005. The Department has included in the Monitoring and Enforcement Program a strategy for "tiering" as it relates to HOME Recipients. The plan establishes the steps to be followed in a tiering review and explains the site-specific documentation required to complete the review prior to the obligation of funds. Full implementation pending approval of HUD.

Texas Department of Housing and Community Affairs

Status of Central Database

- € *Summary Project Plan/Status as of July 20, 2005*
- € *Issues/Risk Management as of July 20, 2005*
- € *Status of Funds as of July 20, 2005*
- € *Central Database Systems Maintenance Details as of July 20, 2005*

**TDHCA Central Database
Summary Project Plan/Status
As of July 20, 2005**

ID	Task Name	Start	Finish	% Complete	Q1 '04		Q2 '04		Q3 '04			Q4 '04		Q1 '05			Q2 '05			Q3 '05			Q4 '05		
					J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
1	FY 2005 CMTS ENHANCEMENTS CONTRACTED SERVI	Mon 10/25/04	Wed 8/31/05	90%																					
2	Enhanced Housing Sponsor Report	Mon 10/25/04	Tue 2/1/05	100%																					
9	Plan, Substantial Construction, & 8609 Reviews	Thu 2/10/05	Thu 5/5/05	100%																					
10	Vacancy Clearinghouse Enhancements	Tue 3/15/05	Wed 6/22/05	100%																					
11	Additional HSR Reports	Fri 4/1/05	Fri 5/13/05	100%																					
12	Review Processing Enhancements	Thu 6/23/05	Wed 8/31/05	95%																					
13	Report Enhancements	Mon 7/25/05	Fri 8/5/05	0%																					
14	Email Notification	Mon 8/8/05	Wed 8/31/05	0%																					
15																									
16	PROGRAM MONITORING MODULE	Mon 11/3/03	Fri 12/30/05	19%																					
17	Program Monitoring Specifications	Mon 11/3/03	Fri 12/5/03	100%																					
18	Development	Thu 1/20/05	Fri 12/30/05	19%																					
19	Functional Planning and Deployment	Mon 4/4/05	Fri 12/30/05	8%																					
20																									
21	MULTIFAMILY MODULE	Mon 12/8/03	Thu 8/31/06	42%																					
22	Multifamily Module Requirements and Design	Mon 12/8/03	Mon 4/19/04	100%																					
23	Functional Review and Acceptance	Fri 8/20/04	Tue 1/18/05	100%																					
24	Module Release 1 Development	Tue 2/1/05	Wed 8/24/05	90%																					
25	Functional Planning and Deployment (Release 1)	Mon 5/30/05	Wed 8/31/05	86%																					
26	* Module Release 2 Development	Thu 9/1/05	Thu 8/31/06	0%																					
27	* Functional Planning and Deployment (Release 2)	Thu 9/1/05	Thu 8/31/06	0%																					
28																									
29	* APPLICATION AND CONSTRUCTION MODULE	Thu 9/1/05	Fri 8/31/07	0%																					
30																									
31	MODULES REMOVED FROM CDB PROJECT	Fri 8/6/04	Fri 8/6/04	0%																					
32	ASSET MANAGEMENT MODULE	Fri 8/6/04	Fri 8/6/04	0%																					
33	BOND FINANCE MODULE	Fri 8/6/04	Fri 8/6/04	0%																					
34	CREDIT UNDERWRITING	Fri 8/6/04	Fri 8/6/04	0%																					

Project: Central Database
Save Date: Wed 8/3/05

Module Duration

Rolled-up Task

Progress

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start/end dates are general estimates. After design review, more reliable time estimates can be established.

**TDHCA Central Database
Summary Project Plan/Status
As of July 20, 2005**

ID	Task Name	Start	Finish	% Complete	Q1 '04			Q2 '04			Q3 '04			Q4 '04			Q1 '05			Q2 '05			Q3 '05			Q4 '05		
					J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
35	OCI MODULE	Fri 8/6/04	Fri 8/6/04	0%							8/6	8/6																
36	PROGRAM MODULE	Fri 8/6/04	Fri 8/6/04	11%							8/6	8/6																
37	COMMUNITY SERVICES/ENERGY ASSISTANCE MODU	Fri 8/6/04	Fri 8/6/04	0%							8/6	8/6																
38	SECTION 8 MODULE	Fri 8/6/04	Fri 8/6/04	0%							8/6	8/6																
39																												
40	COMPLETED/ACCOMPLISHED	Thu 2/1/01	Wed 8/31/05	100%	▶																							
41	Software Dev Environ Infrastructure & Arch Plng	Thu 11/1/01	Thu 2/28/02	100%																								
42	Main Menu and Login Process	Mon 12/3/01	Thu 1/31/02	100%																								
43	LIHTC Microsoft Outlook Contact Log Solution	Mon 12/3/01	Thu 1/31/02	100%																								
44	Housing Sponsor Report	Mon 12/3/01	Thu 1/31/02	100%																								
45	HRC Information Clearinghouse	Mon 12/3/01	Fri 6/28/02	100%																								
46	Data Migration and Population	Mon 12/3/01	Wed 10/2/02	100%																								
47	HRC Information Clearinghouse	Mon 12/3/01	Fri 5/31/02	100%																								
48	Housing Sponsor Report	Mon 12/3/01	Fri 1/4/02	100%																								
49	LIHTC Portfolio	Thu 3/28/02	Tue 4/23/02	100%																								
50	Multi-Family BOND Portfolio (Tax Bond)	Wed 5/1/02	Wed 10/2/02	100%																								
51	Software Architecture	Fri 3/1/02	Fri 6/28/02	100%																								
52	Housing Sponsor Report - Historical	Tue 3/19/02	Thu 5/16/02	100%																								
53	COMP'L. MONITORING & TRACKING SYSTEM (CM	Thu 2/1/01	Mon 11/3/03	100%																								
58	CONTRACT SYSTEM	Fri 5/10/02	Wed 12/3/03	100%																								
61	POST IMPLEMENTATION REVIEW (PIR)	Tue 2/17/04	Wed 3/31/04	100%																								
66	CONTRACT SYSTEM PHASE 2	Mon 10/4/04	Wed 8/31/05	100%																								
67	FY 2004 CMTS ENHANCEMENTS CONTRACTED SI	Mon 11/3/03	Fri 8/13/04	100%																								

Project: Central Database
Save Date: Wed 8/3/05

Module Duration

Rolled-up Task

Progress

* If asterisked (*), the detailed plans identifying tasks and resources are pending finalization of design requirements. Accordingly, start/end dates are general estimates. After design review, more reliable time estimates can be established.

TDHCA Central Database
Summary Project Plan/Status
As of July 20, 2005

1 FY 2005 CMTS ENHANCEMENTS CONTRACTED SERVICES

7/20/2005 - The FY 2005 CMTS Enhancements team, which consists of project management from Portfolio Management and Compliance (PMC), ISD technical management and staff, and a contract programmer, has made substantial progress since the 1/20/2005 report. The first four subprojects have been completed and the Review Processing Enhancements subproject is 95% complete.

The project team decided to remove some subprojects listed on the 1/20/2005 report (Master Screen, Address Search Enhancements, 8823 Functionality, and Housing Occupancy Screen Enhancements) because of other higher priority subprojects that the team added and because the Multifamily Module Release 1 includes Master Screen features. The project team added the Review Processing Enhancements and Additional HSR Reports subprojects (completed) and the Report Enhancements subproject.

1/20/2005 - FY 2005 CMTS Enhancements Contracted Services is funded through the FY 2004-2005 capital budget project Enhancements to Compliance System. \$110,000 is appropriated for FY 2005.

FY 2005 CMTS Enhancements Contracted Services consists of the following projects and system changes:

- €# Enhanced Housing Sponsor Report (HSR)
- €# Plan, Substantial Construction, & 8609 Reviews
- €# Finalization of the Vacancy Clearinghouse information and search capability for unit availability, including units designed for persons with disabilities
- €# Master Screen
- €# Address Search Enhancements
- €# Email Notification
- €# 8823 Functionality
- €# Automatic generation of onsite notification letter and email notification
- €# Housing Occupancy Screen Enhancements

Capital Expenditures: FY 05 \$71,683

2 Enhanced Housing Sponsor Report

7/20/2005 - The Enhanced Housing Sponsor report was successfully deployed on 2/1/2005.

1/20/2005 - The project is on schedule. Software development of the Enhanced HSR is nearly complete. Walkthroughs and design reviews have been performed, and appropriate stakeholder approvals have been received. A final review is scheduled for 1/27/2005. Final system acceptance, training, and deployment rollout remain.

Currently CMTS allows property managers to perform online reporting of household unit information via the Housing Sponsor Report (HSR). The proposed enhancements to the HSR will further integrate information provided and will also provide the following capabilities:

- €# Update property and owner information required by Compliance to complete monitoring activities prior to the allocation file being transferred to the division for long term compliance monitoring.
- €# Update and maintain financial information from the properties for the Real Estate Analysis Division.
- €# Collect data concerning the Tenant Services that are provided by properties for the betterment of the tenants. This is a requirement of the LURA and this information is reported to the Legislature.

TDHCA Central Database
Summary Project Plan/Status
As of July 20, 2005

- €# Collect information required by the Owners Certification of Continued Compliance--an HTC Federal reporting requirement of section 42 of the IRS code.
- €# Update current demographics served by our portfolio each year as of December 31st.
- €# Update the 8609 record to indicate if it has been filed and update part 2 of the 8609 record. This information is required to accurately determine the affordability period for a Housing Tax Credit Property.

This project started on 10/25/2004 and is scheduled to be completed by 2/4/2005.

9 Plan, Substantial Construction, & 8609 Reviews

7/20/2005 - The Plan, Substantial Construction & 8609 Reviews subproject was successfully deployed on 5/5/2005.

1/20/2005 - The Plan, Substantial Construction & 8609 Reviews will enable TDHCA to verify the receipt of substantial construction certification and the recording of due dates, tracking of issues and findings and tracking any corrections as they relate to plan reviews, mid-construction reviews, and 8609 reviews.

10 Vacancy Clearinghouse Enhancements

7/20/2005 - The Vacancy Clearinghouse Enhancements subproject was successfully deployed on 6/22/2005.

1/20/2005 - Add enhanced unit availability search capabilities to the vacancy clearinghouse.

11 Additional HSR Reports

7/20/2005 - This is a new subproject. The additional online Housing Sponsor Reports include the following: 1) Owner's Certification of Continued Compliance, 2) Unit Status Report modifications, 3) Tenant Services Report, and 4) Owner's Financial Certification.

The Additional HSR Reports project was successfully deployed on 5/13/2005.

12 Review Processing Enhancements

7/20/2005 - This is a new subproject. The Review Processing Enhancements will increase the efficiency of processing reviews by allowing monitors to perform mass updates of findings rather than the current process of updating them one at a time.

13 Report Enhancements

7/20/2005 - This is a new subproject that includes Finding Report changes and additional Unit Status Report changes.

14 Email Notification

1/20/2005 - Email notification will allow the system to provide notification to both internal and external personnel of required reports that need to be sent to the agency and notification to the internal personnel that a report has been received.

16 PROGRAM MONITORING MODULE

7/20/2005 - Development of the Program Monitoring Module is not on schedule, primarily due to the longer than expected time required for staff familiarization with the programming/database environment. To put the development of the Program Monitoring Module back on track, an additional programmer has been added to the project. However, the release date of the module has been delayed until 12/30/2005. Increased oversight from technical management and greater involvement from the business team will also take place and should have a positive impact on completing the project.

**TDHCA Central Database
Summary Project Plan/Status
As of July 20, 2005**

1/20/2005 - Software development has begun on this project. Technical analysis of functional requirements, design specifications, process flows, business rules, and database entity relationship diagrams is being performed.

7/15/2004 - At a July 9, 2004 meeting, the steering committee approved commencement of Program Monitoring Module development, using the approved design specifications delivered by AIMS as part of CMTS Enhancements Contracted Services. The Program Monitoring Module will provide Portfolio Management staff with a CDB system to track program monitoring risk assessment, scheduling, and review functions, as well as single audits.

ISD estimates that Program Monitoring Module development will take 1,675 hours. This estimate includes software development of screens, SQL queries, database modifications and integration, development of report output as specified in the design specification, technical testing, user acceptance testing, and bug fixes. Developing end user documentation and training is not included in the 1,675 hours.

17 Program Monitoring Specifications

12/16/2003 - Received the design specification. It has been reviewed and signed off by compliance staff. The contracted deliverables for this item have been met.

11/20/2003 - Contract services related to developing and documenting the specifications necessary to incorporate Single Audit, program monitoring, and 8609 and construction inspections.

21 MULTIFAMILY MODULE

7/20/2005 - The Multifamily Module Release 1 project is on schedule for meeting our target go live date of 8/31/2005.

The project team has had communications regarding the time commitment required for the Multifamily Module Release 2 project, which begins on 9/1/2005. To facilitate MFR2 planning, the technical team provided business team time estimates and a draft project schedule at a 6/22/2005 project team meeting. The project team is currently considering options that may change the course of the MFR2 project. Options include 1) continuing development of MFR2 based on current specifications, 2) streamlining specifications and developing a scaled down MFR2, 3) considering 3rd party software solutions, and 4) not going forward with MFR2 or a 3rd party software solution.

1/20/2005 - The Multifamily Module business sponsors approved design specifications on January 18, 2005. However, two of the sponsors provided a list of concerns and questions that the project team agreed needed to be addressed before beginning development on the significant portions of the design specifications.

Because of the outstanding concerns, the Multifamily Module project manager worked with the technical team to 1) estimate the amount of business team time that would be required to resolve the concerns and 2) present the business sponsors with options for moving forward with the project. From January 18 through January 27, the project team worked through the pros and cons of each option, enlisted the decision making authority of the executive project sponsor and the steering committee, and agreed upon the option which is summarized in this status update.

The technical team will immediately begin development on the components of the Multifamily Module that are completely agreed upon. These components, which can be rolled out as a usable unit (Module Release 1), include advanced, improved data entry screens for previous participation, disclosures, ownership structure, organizations, persons, and address and contact information. The project team has completed a detailed project schedule for Module Release 1 with a projected completion date of 8/31/2005. The schedule accounts for business staff availability and technical resource allocation.

TDHCA Central Database
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The project team has scheduled two work sessions in late February to address as much of the business sponsors' concerns about the remainder of the design specifications as can be accomplished within a limited time frame (16 hours). The technical team estimates a full 80 hours are necessary to address all concerns. Based on these meetings, we plan to begin the detailed project schedule for Module Release 2, which will include functionality for entering post-award Multifamily data through screens that mirror the Uniform Application, capturing data at different phases (such as Award, Carryover, and Cost Certification), setting up Property Profiles which automatically create Building and Units, and tracking Rent, Cost, and Expense Schedule data.

The key factors the project team took into consideration when making this decision included: 1) CDB capital budget funding, which ends on August 31, 2005, 2) business team staff availability, and 3) the concerns expressed over the design specifications.

11/22/2004 - The project team conducted five design review meetings in September through November 6, 2004. The design specifications were updated as a result of the design review meetings, and the technical team distributed the Multifamily Module Design Specifications Scope Agreement form to the three business sponsors on November 22, 2004.

07/15/2004 - In June and July 2004, the technical team and the contractor performed a technical review of the Multifamily Module design specifications. AIMS has completed its contract with TDHCA, and the contractor has accepted another position; however, he may be available to assist us for a limited time (one or two week time period in September) in completing the functional design review. The impact on the project has been minimized because ISD staff participated in the Multifamily JAD sessions in January and February 2004 and because of the technical review.

The primary project risk is caused by the complexity of the design (270 page specification with over 100 screens) coupled with the likelihood of significant changes to the design during the requirements confirmation meetings in late August through October 2004. The technical team has performed an estimate of development and testing time needed to build the Multifamily Module per specifications as they currently exist; this estimate is 4,356 hours. However, the project team will not be able to complete the Multifamily Module project plan until requirements confirmation is complete in October because of the dependencies between development milestones and functional staff availability. Accordingly, the projected end date of 8/31/06 is preliminary and tentative.

To ensure the three business areas sponsoring the Multifamily Module (Compliance, Multifamily Production, and Real Estate Analysis) are in agreement in the scope of the module, we anticipate that the confirmation of the specifications will not be complete until October 2004. The additional time spent in ensuring accurate system specifications will result in greater gains long-term through a reduction of change requests.

2/20/2004 - Commencement of Multifamily Module development is dependent on the review and approval of the design specifications by Multifamily, Real Estate Analysis, and Compliance staff and directors.

11/20/2003 - In October 2003, Management decided the best strategy was to develop a Multifamily Module that would suffice for each of the Department's multifamily programs rather than separate modules for each of the programs.

The major program in the Multifamily Module will be the Housing Tax Credit Program. The program is the primary means of directing private capital towards the creation of affordable rental housing. The tax credits provide developers of low income rental housing with a benefit that is used to offset a portion of their federal tax liability in exchange for the production of affordable rental housing. The value associated with the tax credits allows residences in HTC developments to be leased to qualified families at below market rate rents.

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The Multifamily Module of the Central Database will provide the ability to:

- €# track credit allotments to the state
- €# track the allotment of credits to the individual setasides and subsequent allocation to projects and their respective buildings
- €# track the allocation of credits to the properties
- €# identify applicable fraction for each of the buildings receiving tax credits
- €# identify the purpose of the allocation (acquisition, rehab, new construction)
- €# capture the necessary information to issue 8609s
- €# capture the necessary information to effectively manage the cost certification process
- €# automatically assign the applicable PV rate and provide the ability to lock in the rate
- €# track the tax credit from initial allocation, carryover to final issuance

Application and scoring are preaward and will be considered in the Application Module design.

Capital Expenditures: FY 02-03 \$2,600 (contract services)

Capital Expenditures: FY 05 \$55,671 (contract services)

22 Multifamily Module Requirements and Design

4/20/2004 - The multifamily module design specifications, previously referred to as HTC/CMTS Process Improvements - Specifications, were delivered by AIMS, Inc. on 4/19/2004. Module development will begin after functional review sessions have been completed, and Multifamily, Real Estate Analysis, and Compliance staff have provided written approval of the specifications.

3/20/2004 - Multifamily module (including HTC) functional requirements review feedback is being incorporated into the original functional requirements. Focus of work is on the design specifications and prototype screens. Prototype screens are approximately 90% complete. Delay is due to the intricacies of the business process and the complexity of integration into the existing architecture. Anticipated delivery date of the design specifications from the contract is 4/16/2004. The 4/16/2004 delivery date does not include review, modifications based on review, reexamination of the specifications after making the modifications, and sign-off. This activity is covered under task item 26, Functional Review and Acceptance.

2/20/2004 - Multifamily module (including HTC) functional requirements have been delivered. The first version has been reviewed by the business team. The consultant has also delivered approximately 50% of the prototype screens. Remaining deliverables include design specifications and completing prototype screens.

11/20/2003 - Contract services related to:

- €# analysis of the Housing Tax Credit (HTC) Microsoft Access database currently in use to determine the best recommended process for transferring application and award information to CMTS and to provide specification, as necessary.
- €# analysis of business processes to design business rules for handling and processing HTC records until the Multifamily Production module is developed. Deliverables will include recommended processes for a smooth transition of paper and electronic records from Multifamily Production to the Portfolio Monitoring and Compliance Division, including the necessary quality control points and measures.

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23 Functional Review and Acceptance

1/20/2005 - The Multifamily Module business sponsors approved design specifications on January 18, 2005. However, two of the sponsors provided a list of concerns and questions that the project team agreed needed to be addressed before beginning development on the significant portions of the design specifications. Refer to the 1/20/2005 update under the main Multifamily Module heading for more information.

4/20/2004 - The Multifamily Module design specifications were delivered by AIMS, Inc. on 4/19/2004. Module development will begin after functional review sessions have been completed, and Multifamily, Real Estate Analysis, and Compliance staff have provided written approval of the specifications. Because production-related work associated with the tax credit cycle is the agency's priority, the functional design review sessions are scheduled to begin August 13, 2004. To allow for changes that will result from the functional design review, ISD has targeted September 24, 2004 for final sign-off on Multifamily Module specifications.

29 * APPLICATION AND CONSTRUCTION MODULE

This module will provide the ability to create and store application guidelines, threshold information, scoring criteria, and templates to be used in the application scoring process. The system will allow the applicant to enter and submit the application online and submit any supporting documentation via hardcopy and electronic means. Where possible, automated scoring will be invoked but regardless, all scoring will be performed in the system and summarized automatically.

This module will also coordinate and manage the construction monitoring activities performed at projects, subrecipients, etc. The system will provide the ability to capture pertinent information regarding construction monitoring activity and consolidate the results of all construction monitoring activities at the entity in a common location for operational, risk assessment and reporting purposes.

Capital Expenditures: FY 02-03 \$5,000 (contract services)

31 MODULES REMOVED FROM CDB PROJECT

8/6/2004 - The steering committee met on 8/6/2004 to discuss each of the remaining modules to be prioritized and evaluate each module's need in context of the CDB business goals and then to arrive at a decision about which modules are critical to CDB project completion.

The steering committee approved the following prioritization of remaining CDB modules and reporting specifications:

1. Implement Reporting Specifications delivered by AIMS as part of its FY 2004 contract with TDHCA.
2. Contract System Phase 2.
3. Program Monitoring Module and Multifamily Module.
4. Application and Construction Module.

The steering committee removed the following modules from the CDB project at the 8/6/2004 meeting:

1. Asset Management Module
2. Bond Finance Module
3. Credit Underwriting Module
4. OCI Module
5. Program Module

8/4/2003 - The Central Database Steering Committee met on 8/4/03 and prioritized the remaining modules. Factors considered in the prioritization included the

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following:

- ⊘ The need for global performance measures.
- ⊘ The current Community Affairs' program systems are mature and can continue to function.
- ⊘ Time necessary for post-implementation enhancements for the TDHCA Contract System (including "Phase 2" HOME enhancement change requests and HTF enhancements, the remaining Program Module, and fixes on bugs as they are identified with system usage).
- ⊘ Delay the Application Module - Single and Multi-family staff will need to continue to use Genesis to enter applications; however, contracts will be entered and maintained in the new TDHCA Contract System. General consensus was to delay the Application module until after the remaining program modules are incorporated in the Contract system.

The remaining modules were prioritized as follows:

- ⊘ The Program Module, HTF enhancements, other HOME post-implementation enhancements were prioritized at the 8/4/03 meeting and, subsequently, at the 9/24/03 Steering Committee, it was agreed that associated needs and work will be reassessed prior to proceeding.
- ⊘ LIHTC Module (including Cost Certification). Note - Management decided in October 2003 that the best strategy was to develop a Multifamily Module for all of the Department's multifamily programs rather than separate modules for each of the programs. See the discussion of the Multifamily Module for more information.
- ⊘ OCI Module. The Department will determine if OCI contracts can be incorporated into the Contract System with a limited amount of design work and programming changes. If so, the priority of this component will be bumped up. OCI, Compliance, and ISD staff will participate in this meeting.
- ⊘ Community Services/Energy Assistance Module
- ⊘ Section 8 Module

The remaining modules and other enhancements were not prioritized because the development and implementation time associated with the modules prioritized above is significant. The prioritization of the remaining modules and enhancements will be assessed as the time to apply resources to those modules and enhancements approaches. The Department will have a better appreciation for the prioritized needs of the Department and the resources available to apply at that time. The remaining modules and enhancements to prioritize are the:

- ⊘ Application Module,
- ⊘ Asset Management Module,
- ⊘ Construction Monitoring Module,
- ⊘ Credit Underwriting and Cost Certification Module,
- ⊘ Bond Finance Module,
- ⊘ Program Module,
- ⊘ Contract System - HTF enhancements, and
- ⊘ Contract System - HOME enhancements.

32 ASSET MANAGEMENT MODULE

8/6/2004 - This module was dropped from the scope of the CDB project at the 8/6/04 Steering Committee meeting. Most of the data fields proposed to be collected in the Multifamily Module design specifications are largely the same as needed for asset management functions. For this reason, adding asset management functionality will not need to be handled as a separate complete module; instead, it can be addressed as an extension of/enhancement to the Multifamily Module after CDB project completion.

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33 BOND FINANCE MODULE

8/6/2004 - This module was dropped from the scope of the CDB project at the 8/6/04 Steering Committee meeting. This proposed module has never been considered a high priority. The Director of Bond Finance discussed that the spreadsheets and software used by Bond Finance are adequate for handling its business, and committee members discussed that there are few to no central operating and reporting needs that require CDB integration of Bond Finance.

11/20/2003 - The Bond Finance module will capture all relevant commercial paper, single family and multifamily bond data and information for retrieval and reporting purposes. The Bond Finance module will provide this data and information in a readily accessible manner through user defined reports to provide information to other state agencies. Financial concerns, such as rating agencies, bond insurers, investors, investment banks, etc. also will use these reports. The Bond Finance module will consolidate current report preparation processes, thereby increasing Bond Finance's efficiency and productivity with the issuance of new bonds and the management of outstanding bonds.

34 CREDIT UNDERWRITING

8/6/2004 - This module was dropped from the scope of the CDB project at the 8/6/04 Steering Committee meeting. Most of the data fields proposed to be collected in the Multifamily Module design specifications are largely the same as needed for credit underwriting functions. For this reason, adding credit underwriting functionality will not need to be handled as a separate complete module; instead, it can be addressed as an extension of/enhancement to the Multifamily Module after CDB project completion.

11/20/2003 - This module will provide the ability to capture and track underwriting details and apply pre-established thresholds and tolerances to determine eligibility or compliance with established standards.

35 OCI MODULE

8/6/2004 - This module was dropped from the scope of the CDB project at the 8/6/04 Steering Committee meeting. Committee members discussed the need for contracts supporting OCI programs (as well as miscellaneous "boutique" contracts) to be tracked in CDB. Most of the OCI's funding sources are other Department programs and the CDB can already handle multiple funding sources through the Program Activity type and Fund Source/Program Source functionality. New Program Activity types and funding sources can be handled through the change request process; there is no need to approach these requirements as a separate module.

11/20/2003 - This module will provide the capability to track its programs (Texas Bootstrap Loan Program, Contract for Deed Conversion Loan Programs, Builder Incentive Partnership Program, Contract for Deed Conversion Loan Guarantee Program, Colonia Self-Help Center Program, and Colonia Consumer Education Programs) through the database. This will enable the creation of various reports regarding the colonias and these programs. There will also be a capability to search on the database for other funding activities in the colonias by other programs within the Department.

Plans include determining whether the OCI contracts can be incorporated into the Contract System with a limited amount of design work and programming changes.

36 PROGRAM MODULE

8/6/2004 - This module was dropped from the scope of the CDB project at the 8/6/04 Steering Committee meeting. The driving concept behind the Program Module was to allow users to change Program Activity types through a user interface, instead of requesting changes from IS. Although the Program Module could result in increased efficiency, it would not directly support any CDB business goals and is not critical to project completion.

11/20/2003 - The Program Module will provide the ability to store online program level information. The information to be stored includes: Program name, the type of program (multi family or single family), program activities with each activity's specific strategies, targets (income targets, geographic, special needs, non-profit

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participation etc.) and requirements.

Capital Expenditures: FY 02-03 \$3,250 (contract services)

8/31/2003 - The 11% reported is rolled forward from the last status report to the Department's Governing Board, April 30, 2003, and relates to requirement and design work that has been completed.

37 COMMUNITY SERVICES/ENERGY ASSISTANCE MODULE

7/15/2004 - At a June 22 meeting, the CDB Steering Committee approved a change in strategy to accommodate the information technology needs of Community Services and Energy Assistance (CS/EA) programs. Instead of completely integrating CS/EA contract systems into the CDB framework, which would mean rebuilding all CS/EA systems in Java, some of which are already web-enabled and written in PL/SQL, ISD recommended the approach of building on existing systems and creating CDB reporting tables to handle integration of housing and community affairs contracts for agency wide operating and reporting purposes. With this approach, the CS/EA systems on TDHCA's legacy platform, APPX, will be ported to PL/SQL.

The primary benefit of this approach is faster development at a lower cost, because less development will be required and the programmers most familiar with CS/EA programs have a high skill level in PL/SQL.

11/20/2003 - The Community Services/Energy Assistance Module will extend the Contract System functionality of the TDHCA Contract System to the CS and EA programs. The module will allow funds to be tracked from source through award and contract closeout for the following fund sources: General Revenue, US Dept. of Health and Human Services, HUD, HHS Community Food and Nutrition Program, ENTERP, DOE, and Investor Owned Utilities. The module will incorporate the contract and program rules of the CS and EA program activity types: ESG, CSBG, CFNP, ENTERP, Weatherization, LIHEAP-CEAP, LIHEAP-WAP, SBF, and IOU. Monthly reporting functions for program activity types will be incorporated. The module will also allow for the tracking of budgets, draws, and expenditures. Existing historical and financial data will be converted to the new database as appropriate.

38 SECTION 8 MODULE

7/15/2004 - In May 2004, Community Affairs Division-Section 8 (CAS8), Financial Administration Division-Accounting Operations (FAAO), and Information Systems Division (ISD) identified the need to review current Section 8 processes and systems with the goals of determining if systems upgrades or software purchases are required and if so recommending a course of action. This need was identified in meetings where CAS8 and FAAO staff discussed difficulties in using the current Section 8 systems to project program expenses and develop accurate budgets, and the planning project was supported by Executive. A Section 8 Systems Planning team was formed to accomplish the following goals: 1) document system requirements through a series of work sessions with CAS8, FS, and ISD; 2) investigate the Section 8 systems in use at a sample of other state housing agencies; and 3) determine if a) upgrading existing systems, b) internally managing the development of new systems, or c) purchasing a commercial off-the-shelf product is required for Section 8.

If needed, the team would recommend an FY 2006-2007 Biennial Operating Plan (BOP) capital budget project.

The team is nearing completion of this planning project and will have a recommendation in August. The recommendation will be presented to the CDB Steering Committee for approval.

11/20/2003 - The Section 8 module will consist of 4 major components. They are Family Reports, Contracts, Payments and Contract Tracking. The Family Reporting System (i.e., application system) is modeled after HUD's automated Form 50058 application process which is used to collect, store and generate reports on families who

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participate in the Section 8 rental subsidy program. Once a family's application has been submitted and processed by HUD, it is ready to become a contract in TDHCA's Section 8 program. The Contract System is almost an exact mirror of the Family Reporting System except that it abstracts the information to a higher level and presents it in a more summarized form to agency users. A contract then provides the Section 8 Payment System with the information it needs to process payments for local operators, landlords and tenants. This system then feeds the information to Accounting's CSAS System which, in turn, gives accounting the information they need to produce their monthly checks for the aforementioned groups. Lastly, the Section 8 Contract Tracking System is used to help the program area "keep track" of which contracts have received their payments and/or have reimbursed the agency for the services rendered.

40 COMPLETED/ACCOMPLISHED

Capital Expenditures Not Associated with Individual Milestones FY 02-03:

Java Training, \$7,640

Server Hardware, \$42,987

Software and Misc., \$4,620

41 Software Dev Environ Infrastructure & Arch Plng

The software development environment was restructured and a more refined process that accommodated both existing and new programming languages, databases and standards were put into place. This includes the development of a project charter, the creation of a detailed project plan, selection of a source code control tool, the addition of a modified QA process that involves more user participation, the creation of web and graphical user interface standards, Java coding standards, database naming convention standards, Java software development platform standard, and software change control, management and deployment process improvements.

Capital Expenditures: FY 02-03 \$11,700 (contract services)

42 Main Menu and Login Process

The Central Database Main Menu for navigation through the system. The Login Process entailed developing the interface and preliminary security mechanisms for internal users. This also included development of a standardized interface stylesheet for use in the application.

Capital Expenditures: FY 02-03 \$14,000 (contract services)

43 LIHTC Microsoft Outlook Contact Log Solution

Provided an immediate Microsoft Outlook solution to a SB322 item where oral (phone) or written communication can be logged for the LIHTC program. This is the short-term solution to the SB322 item. The longer-term solution will be in the form of the LIHTC Contact Log.

44 Housing Sponsor Report

The Housing Sponsor Report is used by the property owners and property managers to report property and unit information into the Central Database. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved.

Capital Expenditures: FY 02-03 \$650 (contract services)

45 HRC Information Clearinghouse

The Housing Resource Center Information Clearinghouse provides the citizens of Texas easy access to information on homebuyer assistance, rental housing assistance, home repair, and other community services throughout the state. A brief description of several programs offered by TDHCA and other state and federal programs, including hyperlinks, is also available.

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Capital Expenditures: FY 02-03 \$51,034 (contract services)

46 Data Migration and Population

Capital Expenditures: FY 02-03 \$22,885 (contract services)

51 Software Architecture

The software infrastructure required for current and future projects which included the design, technical design and software development of data access routines, object model development and user interface framework.

Capital Expenditures: FY 02-03 \$18,750 (contract services)

52 Housing Sponsor Report - Historical

The Housing Sponsor Report - Historical information is used to query for property and unit information that has been provided in prior Housing Sponsor Report reporting years. The Housing Sponsor Report is required to be submitted to TDHCA on an annual basis for any properties where program participation was involved. This portion of the system is specific to historical information as previously reported by prior Housing Sponsor Reports entered by property owners and property managers.

53 COMP'L. MONITORING & TRACKING SYSTEM (CMTS)

CMTS was Phase I of the Central Database Project. The goal of Phase I was to develop a fully integrated system to address the compliance monitoring needs for all multifamily housing programs. The system was designed to provide full integration and reporting, provide automated compliance functions for the LIHTC, AHDP, HOME, HTF, and Tax Exempt Bond programs during the affordability period, allow remote property managers to access and update tenant information through the Internet, and improve productivity through the use of a sound business process design, a graphical user interface, and improved access to data.

Capital expenditures for AIMS Contract: \$309,038 (\$262,955 paid in FY 01; \$46,083 paid in FY 02)

Capital Expenditures for External Property Owner's Interface: FY 02-03 \$8,375 (contract services)

Capital Expenditures for Functional Planning and Deployment: FY 02-03 \$12,900 (contract services)

Capital Expenditures for FY 03 Post Implementation Enhancements (\$44,355)

58 CONTRACT SYSTEM

The Contract System was moved into production (go-live) on December 2, 2003 for internal users and December 3, 2003 for external users.

The Fund Allocation portion of this module allows each of the program areas to distribute and track funds from the original fund source (HUD, General Revenue, and others) to programs, regions, and activities (Rental Housing Development, Owner Occupied, SECO, and others) and specific setasides (CHDO, Special Needs, and others). The tracking of the funds includes source of the funds and expiration dates (Federal and State) for each of the source types to the contract level. Program Income, Deobligated Funds and Administration Funds are also tracked at a detail level from source to final use. Balances are automatically maintained in each of the funds.

A history of all transactions against any of the funds is maintained. The transaction history contains the type of transaction, date, amount, by whom and comments.

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The Contract and Draw portion of this module is inclusive of budgets and draws. This segment of the module provides the ability for program areas to set up a contract in the system; associate the contract to organizations and persons involved in the development and execution of the contract; track the use of leveraging and matching funds for individual contracts; provide the ability to create contract activities associated with the contract; create and maintain the budget including balances as funds get drawn, deobligated or refunded; track the application of program income to contracts and maintain the balances of deobligated funds to ensure deobligated funds are used immediately upon availability; and provide the ability to track the receipt of Program Income as well as tracking the program income proceeds at the contract level.

The System also provides the ability for the subrecipients to create and manage their own detail budget online. Management of the budget by the subrecipient includes the transfer of funds between budget items but not changes to the overall budget, which requires a formal amendment. Balances are maintained by the system as funds are drawn, refunded, etc.

The initial release of this module accommodates the functional needs of the HOME and Housing Trust Fund programs. While the timelines planned incorporate the design work for the Energy Assistance (EA) and Community Services (CS) programs, the development, testing and acceptance of work for these programs is not anticipated until subsequent releases not currently scheduled. Additionally, any functionality offered by the Contract System applicable to the LIHTC, OCI and Bond programs will not be fully designed, developed, tested and accepted until consideration of those program modules.

Capital Expenditures: \$210,095 (contract services)

61 POST IMPLEMENTATION REVIEW (PIR)

7/15/2004 - A revised project charter was approved by the Steering Committee on May 7, 2004.

4/20/2004 - The results/lessons of the review have been incorporated into the draft project charter pending completion and final review.

3/31/2004 - Post implementation review completed; PIR report distributed to project team, steering committee, and management.

02/17/2004 - The post implementation review kickoff meeting took place. In this meeting ISD discussed the steps in the review and handed out a survey. This survey will be used to collect information from participants.

11/20/2003 - The post implementation review involves all individuals associated with the development of the CMTS and Contract Systems with the goal of identifying opportunities to improve the development process and governance procedures. The Project Charter will be revisited and modified as necessary to ensure that the composition and the roles and responsibilities of the following are well defined:

- * the steering committee,
- * the project sponsor,
- * the project manager,
- * the project team leaders, and
- * the project team members.

The project charter will be enhanced, as necessary, to clearly define project management and reporting tools and reports, the frequency of reporting, to whom reports are to be provided, and responsibilities associated with preparing, reviewing and approving the reports. Accountability will be clearly established with approval points at well

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defined milestones.

66 CONTRACT SYSTEM PHASE 2

12/15/2004 - The Contract System Phase Two is 100% complete. A detailed functional review by the Business Team concluded that the functionality defined in the original specifications and previously marked as Contract System Phase Two is no longer relevant to their business needs. Any further functionality added to the system will follow the change request process.

7/15/2004 - In March 2003, prior to the December 2003 Contract System roll-out, the project team with consensus of the steering committee made a group decision to scale back on some planned functionality from the design specifications that while important was not critical to timely implementation. The project team intended to readdress this functionality after Contract System implementation and after receiving steering committee approval.

On July 9, 2004, the steering committee approved that the technical team should move forward with this postponed functionality, which includes 1) contract and activity amendments, 2) contract schedules, and 3) document tracking. ISD has not yet performed a revised time estimate for this work. Accordingly, the projected end date of 8/31/05 is preliminary and tentative.

67 FY 2004 CMTS ENHANCEMENTS CONTRACTED SERVICES

8/31/2004 - All FY 2004 CMTS Enhancements were completed as of 8/31/2004. The subprojects included: 1) Enhanced Compliance Testing, 2) CMTS Reports, 3) Technical Knowledge Transfer, and 4) Design Specifications (described in the 11/20/2003 note). These subprojects were described in detail in the last CDB status report (as of 7/15/2004).

11/20/2003 - The CMTS Enhancements relate to contracted services to develop design specifications for added functionality, including single audit, program monitoring, 8609 inspections, and screen and report enhancements. Development of this functionality will be planned as resources are identified and as modules are prioritized. Planned target date for task time estimates and prioritization of modules is March 31, 2004. Further deliverables include business process improvement and design specifications for entering and maintaining multifamily post-award data.

Capital expenditures for CMTS Enhancements Contracted Services: FY 04-05 \$129,610

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
CENTRAL DATABASE PROJECT - ISSUES/RISKS MANAGEMENT
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The following issues have been prioritized for resolution.

Iss. Ref.	Issues/Risks	Impact/Potential Impact	Status
1	2001 – 2003 multifamily data has not been entered (Housing Tax Credits, HTF, and HOME properties); duplicate records such as organizations, persons and addresses in the system.	Incomplete/unreliable reporting and operating information, e.g. Compliance does not have information readily available that is necessary to perform their job duties; business processing delays resulting from cleaning or correcting data.	<p>7/20/2005: The issue owner has reported this item as complete, based upon an update from the Multifamily Division regarding HTF and Bond.</p> <p>12/17/04:</p> <ul style="list-style-type: none"> € The project to enter 2001 – 2003 multifamily data is 98% complete. The Housing Tax Credit component, the largest portfolio of properties, is 100% complete; a project to review records entered for HTF and Bond is assigned and in progress. That project will identify incomplete or missing records. Several efforts to eliminate duplicate records have been completed. The Project Manager believes he needs to reconcile the system’s data to the Multifamily Inventory records to ensure completeness. € In addition to the business processes referred to in the 7/31/04 status update, business processes are also necessary to eliminate duplicates on an ongoing basis.

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Iss. Ref.	Issues/Risks	Impact/Potential Impact	Status
2	Formal standardized processes, policies and procedures have not been developed for current and future entry of multifamily data for new awards (Housing Tax Credits, HTF, and HOME properties).	Incomplete, inaccurate reporting information. Confusion relating to roles and responsibilities. Data not being controlled and entered efficiently. Lack of quality assurance and accountability.	<p>7/20/2005: The draft data entry SOP and business process map are being routed at this time to directors and Executive. The Issue Manager anticipates that the SOP will be approved by Executive in early August. At that time the Committee will have one last meeting to discuss any necessary CMTS change requests and new tasks which need to occur to fulfill the SOP.</p> <p>1/15/05: The past month has seen little progress due to holidays, vacation time and other Department priorities. The Issue Manager has neared completion of the draft data entry SOP and plans to release the draft for director input and commentary by 1/25/05.</p> <p>12/17/04: The Issue Manager reports that the Committee established to resolve the issue has slowed down for recent public meetings and board meetings. A business process map was developed in November to figure out easy ways to migrate multifamily data into CMTS. The map still needs to be confirmed by the applicable Directors.</p> <p>7/31/04: € Plan identifying necessary tasks and budgets developed. However, necessary staff resources for relevant tasks not identified in full, which may adversely affect budgets. Final plan pending appropriate director approval. € The Issue Manager has expressed concerns about team members indicating workloads are high and that additional tasks may be burdensome.</p>

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CENTRAL DATABASE PROJECT - ISSUES/RISKS MANAGEMENT
As of July 20, 2005

Iss. Ref.	Issues/Risks	Impact/Potential Impact	Status
4	Training for the Contract System and CMTS has not been sufficient.	Inefficient and ineffective use of the system; frustration on behalf of users.	<p>7/20/05: The Acting Issue Manager has reported the training issue as resolved. The CDB User Guide was completed and distributed electronically to the agency on 3/28. Version 1.1, which incorporated minor revisions, was released on 5/25. An updated version of the CDB User Guide which incorporates Multifamily Module functionality will be released the first week of August. Regarding CDB training, the Central Database training tutorial was sent to the user guide review team for comment on 6/3. The tutorial is completed and was posted on the intranet on 7/12.</p> <p>1/31/05: <ul style="list-style-type: none"> € The Director of Information Systems has taken on the role of Acting Issue Manager; the Issue Owner(s) are the Directors of Multifamily Finance Production, Real Estate Analysis, and Portfolio Management & Compliance divisions. € Two significant dependencies are (1) the completion of the CDB User Manual for internal staff (external CMTS and Contract System user manuals are available on the agency website) and (2) formalization of business processes (see Issue Ref. #2). € In November, the Department hired a contract technical writer/trainer through the Texas Department of Information Resources. ISD is managing the work of the technical writer/trainer. A project plan is in place for completion of the CDB User Manual, which will be distributed for final review at the end of February. In December, the Department identified staff to participate in the review process from December through completion of the manual in March. The manual is currently at 85% completion. € The technical writer/trainer will begin development of a formal CDB training class in March, pending completion of Issue Ref. #2. In the interim, ISD management and PMC staff continue to provide CDB training as requested. ISD/PMC provided Contract System training to OCI and Multifamily staff on October 14 and CMTS training to REA and Multifamily staff on December 3. ISD provided a CDB overview for directors and managers on December 14 and 16. </p>

Texas Department of Housing and Community Affairs
Status of Funds as of July 20, 2005
Centralized Database Project/Enhancements to Compliance System

	Central Database Project		
	2004	2005	Biennium
Approved Appropriations	\$ 135,000	\$ 125,000	\$ 260,000
Unexpended Balance Forward	(135,000)	135,000	-
Subtotal	-	260,000	260,000
Cash Expenditures by Object of Expense:			
Computer Programming Services	-	(106,421)	(106,421)
Computer Software	-	(32,756)	(32,756)
Subtotal	-	(139,177)	(139,177)
Total, Appropriation Balance - Note A	-	120,823	120,823

	Enhancements to Compliance System		
	2004	2005	Biennium
Approved Appropriations	\$ 135,000	\$ 110,000	\$ 245,000
Cash Expenditures by Object of Expense:			
Computer Programming Services	(134,875)	(71,683)	(206,558)
Subtotal	(134,875)	(71,683)	(206,558)
Lapsed Appropriations	(125)		(125)
Total, Appropriation Balance - Note B.	\$ -	\$ 38,317	\$ 38,317

Note A. - The agency will not expend an estimated \$100,000 of the \$260,000 FY 2004-2005 Central Database project capital budget. There are two reasons that the agency used substantially less than the total appropriated capital budget: 1) No funds were expended in FY 2004 because Multifamily Module system specifications were not approved until the fall of 2004 (FY 2005) and 2) in May 2005 the contract programmer dedicated to the Multifamily Module accepted other employment and switched to a part-time basis at the agency's request, in lieu of leaving the project entirely. The unexpended balance is cash that will be available for use by the department to fund projects in FY 2006.

Note B. - There will be a relatively low balance of unexpended funds, an estimated \$25,000, from the \$245,000 FY 2004-2005 Enhancements to Compliance System capital budget.

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
CENTRAL DATABASE SYSTEMS MAINTENANCE DETAIL
As of July 20, 2005**

The table below summarizes CDB maintenance work completed and in progress by technical staff from **January 21, 2005 through July 20, 2005**. The maintenance work is divided into four categories and covers the three production CDB systems: CMTS, the TDHCA Contract System, and the Housing Resource Center Information Clearinghouse (HRC-IC).

Technical time spent on tasks and activities which are not directly related to software maintenance of production CDB systems is not included in the table. These additional tasks and activities include: 1) end-user CDB system support, 2) database performance tuning, and 3) responding to SAO audit requests.

A total of \$22,173 has been expended in contract programming services for maintenance, a total of \$28,577 has been expended for the Technical Writer, and \$32,756 has been expended on upgraded database and report generation software licenses.

Maintenance Category	Requests Completed	Requests In Progress	Summary
Enhancements – Change requests approved by the steering committee.	11 (242 hours)	6 (392 hours)	<ul style="list-style-type: none"> € 9 Contract System change requests completed totaling 196 hours € 1 CMTS change request completed totaling 30 hours € 1 Non-Compliance System change request completed totaling 16 hours € 4 Contract System change requests totaling 292 hours – 2 pending testing, sign-off and implementation; 2 pending completion € 2 CMTS change requests totaling 100 hours – pending completion
Bug Fixes – Completed CDB system problems, reported by business staff or the technical team.	34 (144 hours)	14	<ul style="list-style-type: none"> € 34 bugs completed totaling 144 hours € 14 bug-related work orders in progress
Data Management – Work performed by the agency database administrator, consisting of data migration, mass changes, and corrections that cannot be performed through user interfaces.	259 (200 hours)	3	<ul style="list-style-type: none"> € 259 work orders completed totaling 160 hours € 3 work orders in progress
Reports – Completed report requests or views that facilitate ad hoc reporting .	20 (150 hours)	2	<ul style="list-style-type: none"> € 20 report requests completed totaling 150 hours € 2 report requests in progress

Texas Department of Housing and Community Affairs

*ISD User Accounts for TDHCA and ORCA Process -
Controls to Address Unacceptable Risks*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ISD User Accounts for TDHCA and ORCA Process - Controls to Address Unacceptable Risks
August 3, 2005

In February 2005, ISD Network and Technical Support Section (NTS) staff completed a risk assessment for the ISD User Accounts for TDHCA and ORCA process. Out of the 37 risks NTS staff identified for the five consolidated activities associated with this process, three high impact risks were assessed as medium probability after current controls and one medium impact risk was assessed as high probability after current controls. The four inadequately controlled risks were the following:

1. Administrators can conceal their identity or steal their identity (fraud) – High impact/Medium probability
2. Failure to detect active/unauthorized accounts – High impact/Medium probability
3. Inability to detect fraud-no performance audits currently being performed – High impact/Medium probability
4. Supervisor may fail to inform of change resulting in incorrect security access – Medium impact/High probability

Since the February 2005 risk assessment was completed, ISD has implemented the following controls, which reduce the likelihood of the four risks occurring to low probability:

On March 29, 2005, Ms. Carrington signed an updated version of SOP 1264.01, “User Accounts and Network Access.” Through this SOP, ISD has formalized more stringent policies on user accounts. Specified system administrators and user account administrators are required to perform complete user account audits for applicable systems twice a year in most cases, as detailed in the SOP. TDHCA’s Information Security Officer is responsible for enforcing this policy. The “TDHCA Account Audit Form” must be completed to certify the audit.

Additionally, all system administrators, database administrators, and user account administrators are now required to sign new HR Form 439-A, “System Administrator, User Account Administrator, and Database Administrator Security Statement.” Through this form, they formally acknowledge their advanced levels of systems access and that misuse can result in termination of employment. TDHCA’s Information Security Officer collected these signed forms for all applicable personnel in April 2005.

The table below summarizes the results of the risk assessment and implemented action plan:

Risk	Impact	Probability before new controls	Probability after new controls
Administrators can conceal their identity or steal their identity (fraud)	H	M	L
Failure to detect active/unauthorized accounts	H	M	L
Inability to detect fraud-no performance audits currently being performed	H	M	L
Supervisor may fail to inform of change resulting in incorrect security access	M	H	L

Texas Department of Housing and Community Affairs

Status of Internal/External Audits

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
STATUS OF INTERNAL/EXTERNAL AUDITS
August 5, 2005

Internal Audits/Reviews	Scope	Stage	Comments
Subrecipient Monitoring	Subrecipient Monitoring Processes - To assess the adequacy of the Department's subrecipient monitoring functions by risk ranking the programs' monitoring functions and activities to identify areas for coverage. A review of high risk areas will be conducted to determine whether adequate monitoring policies and procedures are in place to provide reasonable assurance that the Department's subrecipients comply with applicable Federal regulations, program rules and contract terms. See below for specific areas of review.		
	∅ Risk Assessment	Complete	Report dated 8/5/05
	∅ Single Audit	Fieldwork/reporting	Estimated completion date – 8/31/05
	∅ Technical Assistance	Confirm conditions noted	Considering canceling due to low risks/may be considered in connection with other areas.
	∅ Draws Processes	Confirm understanding	Estimated completion date – 10/05
	∅ Set-ups	Pending	Estimated completion date – 12/05
	∅ Field Visits	Pending	Estimated completion date – 3/06
∅ Desk Review	Confirm conditions noted	Considering canceling due to low risks/may be considered in connection with other areas.	
Review Whistle Blower Process	To determine if the process is formalized, in compliance with applicable laws, and if employees have been adequately informed of their rights, responsibilities and protections.	Complete	Report dated 6/16/05
Executive Order RP36	To provide expertise, knowledge, experience and objective, independent input into the Department's Fraud, Waste and Abuse Detection and Prevention Program.	Planning	Complete
		Agency Roll-out	Complete
		Risk Assessments	Ongoing
		Reporting	FY 2005 Report expected due to Governor's Office 10/1/05.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
STATUS OF INTERNAL/EXTERNAL AUDITS
August 5, 2005

Internal Audits/Reviews	Scope	Stage	Comments
Central Database Steering Committee	To serve as non-voting Chair of the Central Database Steering Committee charged with directing and monitoring the development of the Department's Central Database.	Ongoing	
Peer Review	To conduct Peer Review pursuant to Texas Government Code §2107.007 as arranged through the State Agency Internal Audit Forum (SAIAF) QAR program to fulfill obligation of reciprocity for Peer Review received by TDHCA in the 2002 Fiscal Year.	Complete	
Annual Audit Plan	To develop an annual audit plan for FY 2006 pursuant to the Texas Internal Auditing Act.	Planning	Complete
		Soliciting Input	Estimated time frame: 7/22/05 – 8/12/05
		Assess / Rank Risk	Estimated time frame: 8/15/05 – 8/19/05
		Draft / Propose Plan to Executive	Estimated date: 8/31/05
		Draft / Propose Plan to Governing Board	Estimated date: October 2005 Board Meeting
FY2005 Internal Auditing Report	To prepare an annual internal auditing report for FY 2004 pursuant to the Texas Internal Auditing Act.	Pending	Estimated time frame: 09/01/05–09/15/05
External Auditors	To coordinate and assist external auditors.	Ongoing	
Follow-up on Prior Audit Issues	To prioritize prior audit issues previously reported as implemented and independently verify implementation status and adequacy of related policies and procedures (as related to current audit objectives).	Ongoing	
Tracking Status of Prior Audit Issues	To track the status of prior audit issues for management/board report purposes.	Ongoing	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
STATUS OF INTERNAL/EXTERNAL AUDITS
August 5, 2005

External Audits/Reviews	Scope	Stage	Comments
State Auditor's Office	Planned Audit of Selected Housing Programs; HOME Investment Partnership Program (HOME) and Housing Trust Fund Program (HTF)	Complete	Report No. 05-047, dated June 2005
Deloitte & Touche	Annual Opinion Audits: – Consolidated Financial Statements for the FYE August 31, 2005 – Revenue Bond Enterprise Fund for the FYE August 31, 2005	Fieldwork – Interim work complete.	Estimated Completion Date – 12/06
KPMG	Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG)	Fieldwork – Interim work complete.	Estimated Completion Date – 2/06

EXECUTIVE OFFICE
BOARD ACTION REQUEST
August 19, 2005

Action Item

Resignation of Current Board Secretary and Appointment of New Board Secretary.

Required Action

The Board shall elect a new Board Secretary.

Background

2306.030. Presiding Officer; Other Officers

(b) The Board shall elect the following officers:

(2) a secretary to be the official custodian of the minutes, books, records, and seal of the board and to perform other duties assigned by the board.

(d) Officers of the Board shall be elected at the first meeting of the board on or after January 31 of each odd-numbered year and at any other time as necessary to fill a vacancy.

Recommendation

Since a vacancy is occurring as of August 31, 2005, it is necessary for the Board to elect a new Board Secretary.

August 8, 2005

Ms. Elizabeth Anderson, Chair of the Board
Mr. C. Kent Conine, Vice-Chair of the Board
Mr. Shad Bogany, Board Member
Mr. Vidal Gonzalez, Board Member
Mr. Patrick Gordon, Board Member
Mr. Norberto Salinas, Board Member

Dear TDHCA Board Members:

It is with much sadness and anticipation that I am retiring after more than 21 years of service from state government and my position with the Texas Department of Housing and Community Affairs as of August 31, 2005. Since the time has come for me to resign my position at the Department it is also time for me to resign as your board secretary.

I have thoroughly enjoyed working for each and every one of the board members I have served and I feel I am truly blessed to have known so many wonderful people in my career. I believe today that I am a professional primarily as a result of the personal attention and tutoring that I received from the more than 30 board members I have served.

I can only say that I will miss every one of you and I want to thank you for experiences I gained at the Department and also for all the courtesies you have extended to me. You all are the best and I wish continued success as you continue as Board Members of the Texas Department of Housing and Community Affairs. Thanks again!

Sincerely,

Delores Groneck
Board Secretary